

A low-angle, upward-looking photograph of the YapıKredi building. The building features a prominent curved glass facade reflecting the sky, topped with a semi-circular structure containing vertical supports. The 'YapıKredi' logo is visible on the upper part of the building. Large, stylized blue geometric shapes are overlaid on the image, creating a modern architectural feel. The sky is a clear, vibrant blue with some light clouds.

 **YapıKredi**

2019  
INTEGRATED  
REPORT

 **YapıKredi** **75**  
Dedication to deliver. YEARS

2019 Integrated Report

WE ARE PROUD TO PRESENT OUR  
FIRST INTEGRATED REPORT TO OUR  
STAKEHOLDERS, WHICH PRESENTS  
OUR PIONEERING AND STRONG  
POSITION IN THE SECTOR BEING  
TURKEY’S BANK THAT **“LIFTS LIMITS”**  
AND OUR RESPONSIBLE GROWTH  
APPROACH.



Please scan the QR code to watch our commercial.

# MESSAGE FROM MERVYN KING, CHAIRMAN EMERITUS OF THE INTERNATIONAL INTEGRATED REPORTING COUNCIL



The collective mind of the Board of Yapı Kredi company has by its report clearly indicated that it has been thinking about the company's business model and the challenges and uncertainties it faces on an integrated basis.

Yapı Kredi has also dealt with the three critical dimensions for sustainable development namely the economy, society and the environment in its report. It exhibits that the Board of the Bank is thinking about value creation in our resource constrained world for the benefit of society. In short it is clear that the Bank is endeavouring to create value for society rather than bottom-line profit which is being subsidised by the environment and/or society.

The Bank is to be congratulated about the depth of the Board's integrated thinking exhibited in the content of its first integrated report.

I wish the Bank the success it deserves for approaching the long-term focused on the health of the company taking account of the needs interest and expectations of all its stakeholders.

A handwritten signature in blue ink that reads "Mervyn King".

**Mervyn King**

Chairman Emeritus

International Integrated Reporting Council

2 July, 2020

# MESSAGE FROM PROFESSOR GÜLER ARAS, FOUNDING CHAIR OF INTEGRATED REPORTING NETWORK TURKEY [ERTA]



In our day, effective management of risks and opportunities is critical for businesses as they are compelled to exhibit greater responsibility and efficiency in their operations at the intersection of economy, society and the environment in view of depleting resources, in order to satisfy the constantly growing demands and expectations. Possessing the power to influence and transform other sectors as well through lending and funding, the Banking Sector is among the industries most affected by economic and political developments, regulatory changes, and evolving expectations and needs of stakeholders.

Yapı Kredi, which evidently keeps a close eye on all trends along with global topics such as digitalization, cyber security, talent management and climate crisis, analyzed the risks and opportunities stemming from these developments, and integrated them successfully in its business model.

Positioned as Turkey's third largest private bank, Yapı Kredi takes place among the dominating banks in the Turkish banking system by virtue of its strong shareholder structure enabled by its being a subsidiary of Koç Holding. The Bank's sustainable and effective value creation capability not only assures the sustainability of its own performance, but also has long been lending a permanent influence and contribution to the finance system and the Turkish economy. The Bank has centered its business strategy on the responsible banking approach, which seeks to manage the environmental and social impacts stemming from its own operations and is focused on managing the potential environmental and social impacts and risks that will result from the financed projects.

Handling all of its business processes in line with its core values, ethical rules and code of conduct built upon corporate governance principles, Yapı Kredi has taken place among the founding signatories of the United Nations Principles for Responsible Banking [UN PRB] and Global Compact Turkey's Declaration on Sustainable Finance, and thus made

significant contributions to the development of sustainable finance and sustainable banking in Turkey.

Being Yapı Kredi's first Integrated Report based on integrated thinking, the present report is a product of the Bank's approach to creating sustainable and ethical value for all stakeholders on the basis of responsible banking. Yapı Kredi went beyond preparing a report, and focused on providing an insight into its business model, strategy, and most importantly, the building blocks of its value creation process in this first Integrated Report based on integrated thinking. Also, as an organization that recognizes its risks, the Bank openly presented its strategy and plans regarding how it will manage these risks, and made it a principle to provide quality information to its stakeholders.

Deeming it important to interact with all its stakeholders, Yapı Kredi integrated stakeholder feedback in its decision-making mechanisms, and determined its material issues that make the foundations of its business model and strategy with broad stakeholder involvement. Having linked the material issues that it has integrated in its business model to the United Nations Sustainable Development Goals [SDGs], Yapı Kredi has assumed the responsibility that falls upon it with respect to 17 global goals that are targeted to be achieved by 2030.

I would like to sincerely congratulate Yapı Kredi for publishing its first Integrated Report. With this report, the Bank has yet again demonstrated its power to create value for the whole society and to shape the future with its extremely competent employees, impactful and innovative products and services, and sustainable and responsible business culture.

**Professor Güler Aras**  
Founding Chair  
Integrated Reporting Network Turkey [ERTA]

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# ABOUT THE REPORT

The first integrated report of Yapı ve Kredi Bankası A.Ş. and its domestic subsidiaries [Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Asset Management and Yapı Kredi Invest] ["Yapı Kredi" or "the Bank"], this report presents the integrated business model of Yapı Kredi that creates long-term value for all of its stakeholders, its management of risks and opportunities, future strategies, stakeholder communication, and its performance on economic, environmental and social indicators. The report also covers the Bank's material issues identified with the involvement of a broad base of stakeholders, governance approach in the light of sectoral and global trends, and its performance and goals in financial and non-financial areas.

This report has been prepared in accordance with the GRI Standards "Core" option, and based on the International <IR> framework published by the International Integrated Reporting Council (IIRC). Borsa İstanbul Sustainability Index Banking Criteria, United Nations Global Compact Principles, United Nations Sustainable Development Goals (SDGs),

and Women's Empowerment Principles (WEPs), of which Yapı Kredi is a signatory, were also taken into consideration in the preparation of the report.

The report covers the 12-month activity period of Yapı Kredi between 1 January and 31 December 2019 and the data for Yapı ve Kredi Bankası A.Ş. and its domestic subsidiaries for the same period. Energy, GHG emissions, water consumption, waste generation, environmental investment, legal compliance, financial data, renewable energy financing, environmental and social risk assessment system, occupational health and safety, employee training, parental leaves, anti-bribery, anti-corruption, and human rights indicators provided in this report have undergone a "limited" assurance by an independent audit firm, Güney Serbest Muhasebe Mali Müşavirliği A.Ş. [Ernst & Young-EY] in accordance with the ISAE 3000 [Revised] standards. The list of indicators reviewed and the scope of the review are included in the Independent Assurance Statement provided in the Appendices section.

ESG INDICES THAT  
YAPI KREDİ QUALIFIES  
TO BE INCLUDED  
IN AND INITIATIVES  
SUPPORTED BY THE  
BANK



# MESSAGE FROM THE CEO



Throughout 2019, we kept contributing to economic sustainability through our strong performance and the financing facilities we have provided.

Dear Stakeholders,

The Coronavirus [COVID-19] pandemic crisis that deeply affected the economy and life in general across the globe in the first quarter of 2020 once again revealed the fragility of the world order and how easily it can shift. While central banks and regulatory authorities introduced measures to mitigate the negative effects of the ongoing pandemic on the economic and social life all over the world, numerous steps were taken to defy the slowdown in the real sector, which included additional support packages, tax exemptions and recruitment incentives.

In parallel with the other countries in the world, Turkey was also quick to introduce a number of measures and practices including additional liquidity support.

At Yapı Kredi, we have also put into life a series of protective measures in parallel with the guidance provided by the Republic of Turkey Ministry of Health and the comprehensive precautions implemented across the Koç Group. Managing the entire process very carefully and painstakingly on the basis of a 5-phase protocol set, we did, and continue to, introduce actions planned in detail for each phase.

On another front, we have started to implement a series of decisions in view of the economic impact of this process. We have postponed the principal, interest and

installment repayments of our individual and corporate customers at existing terms and conditions, upon request. We are supporting the day-to-day banking needs and commercial activities of our customers within their available credit lines and increasing the same, if needed. In addition, we have joined the Treasury-supported and CGF-backed [Credit Guarantee Fund] "Cheque Payment Support Package" and "Opex Loan Support Package" programs announced by The Banks Association of Turkey [BAT] designed to minimize the potential effects of the pandemic on the employment, manufacturing, trade and payment system.

As Yapı Kredi, we will continue to stand by our customers, stakeholders and employees in this process, first and foremost, in the area of economy, as well as in others, and to take the necessary steps in the future.

On another note, if we look at 2019 within the context of our Integrated Report, Turkey overcame the negative impacts and gained momentum in its economic growth despite the economic and political events in the world. Normalized economic indicators and the accompanying rate cuts contributed to this process, and helped the national economy regain stability quickly. As Yapı Kredi, we kept contributing to recuperation and economic sustainability through our strong economic performance and the financing facilities we provide.



## INTEGRATED BUSINESS MODEL

In this first Integrated Report we are releasing, we are presenting our integrated business model that creates long-term value for all our stakeholders

During 2019, we have increased our total cash and non-cash lending volume by 4 percent to TL 319 billion. Total assets of our Bank, on the other hand, grew by 10 percent year-over-year and reached TL 411 billion. Our gross operating profit went up to TL 12.3 billion.

On the deposits side, our volume expanded by 10 percent to TL 231.1 billion, corresponding to a 15 percent market share among private banks. We have increased the number of active digital customers by 17 percent and that of active mobile customers by 22 percent on the back of our new products and services developed within the scope of digital transformation. The revenues derived on banking operations expanded by 4 percent to reach TL 18.5 billion.

The change in our shareholder structure made another highlight of 2019. Our shareholder structure changed with the share transfer agreement executed by and between two controlling shareholders, and 9.02 percent stake held by UniCredit was acquired by Koç Holding. UniCredit, on the other hand, sold 12 percent of its stake to the market. Thus, the free-float rate of our Bank rose to 30 percent.

This first Integrated Report we are releasing deals with our integrated business model that generates long-term shared value for all our stakeholders. In the process, we have reviewed our sustainability priorities. We have introduced a holistic approach to management of risks and opportunities, to our future strategies, stakeholder communication, and our environmental, social and governance concept.

Ever since our incorporation to date, we have espoused a responsible growth philosophy that created value for every segment of the society, while observing the implications of our banking activities with respect to all of our stakeholders. We are focusing on digitalization based on our customer-centric and innovative banking approach, and we are working to deliver the best to our customers. Along this line, we have sustained our pioneering position in the sector in the area of digital banking also in 2019. We have upgraded our digital infrastructure with the goal of excelling in customer experience, optimizing customer interaction, and offering novelties that will eliminate the borders within the financial ecosystem. The share of non-branch channels within total banking transactions went up to 94 percent in 2019. We will continue to build on our investments and collaborations in digitalization and R&D also in the period ahead.

In keeping with our sustainable and innovative product development target, we have issued our first green bond in January 2020. We are persevering with our support to Turkey's transition to a low-carbon economy by allocating the proceeds generated on the bond issuance to renewable energy projects. As of the

end of 2019, renewable energy projects constituted 43 percent of our project finance energy portfolio.

In addition to our robust shareholders' equity, we made use of external funds for sustainable financing in 2019, drawing on our continued cooperation with international institutions including the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), and Proparco, a subsidiary of the French Development Agency (Agence Française de Développement-AFD).

We have sustained and further increased our support to the SMEs that make the backbone of the national economy. Under the CGF programs taking place among the highest-volume financing support made available to the SMEs, we have disbursed loans worth TL 12 billion and increased our share within the total CGF market to 8.72 percent in 2019. The support we have extended to the SMEs brought us the leadership in terms of market share in CGF programs launched in the reporting period.

When steering our operations, we continue to be guided by the United Nations Sustainable Development Goals (SDGs) that seek to find solutions to global problems, and we are promoting an understanding of responsible finance. We carry out our activities with the awareness of the responsibilities incumbent upon the finance sector with respect to the management of environmental and social impact.

We have joined the United Nations Principles for Responsible Banking (UN PRB) launched in 2019 as a founding signatory and took place among the global banks giving direction to the sustainability agenda. With this initiative, we have aimed to raise awareness of sustainability in the Turkish banking sector and reinforced our collaboration with the signatory banks. In addition, we took place among CDP Turkey 2019 Water Leaders with our reporting to the CDP, the leading environmental reporting platform in the world. In addition, on the back of our high performance in sustainability management, we remained a constituent of the Borsa İstanbul (BIST) Sustainability Index, and FTSE4Good Emerging Index created by the international index provider, FTSE Russell, a subsidiary of the London Stock Exchange Group, which measures the companies' environmental, social and governance performance.

While presenting our 2019 Integrated Report, I would also like to take this opportunity to thank all our stakeholders, and particularly, our loyal customers that carry our Bank into the future, our shareholders for their unyielding trust and support, and our employees for their valuable efforts.

**Gökhan Erün**  
CEO





# ABOUT YAPI KREDİ

## CONTRIBUTION TO THE ECONOMY

SETTING ITS GROWTH COURSE TOWARD THE TARGET OF CONSTANTLY BUILDING ON ITS CONTRIBUTION TO THE FINANCING OF THE TURKISH ECONOMY, YAPI KREDİ PRESERVED ITS POSITION AS THE THIRD LARGEST PRIVATE BANK IN TURKEY IN 2019 WHEN IT KEPT CREATING SHAREHOLDER VALUE BY GIVING THE FOREGROUND TO CUSTOMER-CENTRIC APPROACH TO BANKING AND INNOVATION.

1944

Yapı Kredi was established in 1944.

30.03%

Yapı Kredi has a free-float rate of 30.03% as at year-end 2019.



**THE 3<sup>RD</sup>  
LARGEST  
PRIVATE BANK  
IN TURKEY**



**846  
BRANCHES**



**17,118  
EMPLOYEES**

Currently the third largest private bank in Turkey, Yapı Kredi was established in 1944. Targeting to constantly increase its contribution to the financing of the Turkish economy with its customer-centric approach, Yapı Kredi offers service to its customers with 17,118 employees and 846 branches covering all regions of Turkey. Total cash and non-cash lending of the Bank increased by 4% and reached TL 319 billion in 2019, while its total assets were worth TL 411 billion.

Yapı Kredi delivers its products and services via its 4,330 ATMs, innovative internet banking, leading

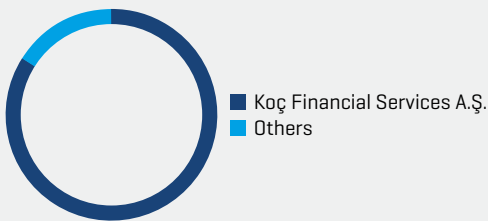
mobile banking, 3 call centers and approximately 709 thousand POS terminals. 94% of the Bank's transactions went through non-branch channels as at year-end 2019.

Yapı Kredi is active in retail banking (comprising of individual banking, SME banking and card payment systems, private banking and wealth management) as well as corporate and commercial banking. The Bank's operations are supported by domestic subsidiaries engaged in asset management, brokerage, leasing and factoring as well as international banking subsidiaries in the Netherlands, Malta and Azerbaijan.

**TOTAL CASH AND NON-CASH LENDING OF THE BANK INCREASED BY 4% TO TL 319 BILLION IN 2019, WHILE ITS TOTAL ASSETS WERE WORTH TL 411 BILLION.**

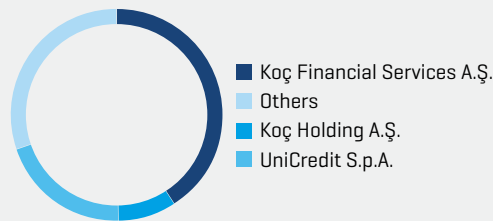
## SHAREHOLDER STRUCTURE

As of 31.12.2019



Shareholder's Title	Share Amount (TL)	Share Amount (%)
Koç Financial Services A.Ş.	6,918,131,285.23	81.9
Others	1,528,919,998.77	18.1
<b>Total</b>	<b>8,447,051,284.00</b>	<b>100.00</b>

As of 14.02.2020



Shareholder's Title	Share Amount (TL)	Share Amount (%)
Koç Financial Services A.Ş.	3,459,065,642.23	40.95
Others	2,536,378,038.77	30.03
Koç Holding A.Ş.	762,197,343.00	9.02
UniCredit S.p.A.	1,689,410,260.00	20.00
<b>Total</b>	<b>8,447,051,284.00</b>	<b>100.00</b>



4,330 ATMs



TOTAL ASSET  
SIZE: TL 411  
BILLION

#### 15.2% MARKET SHARE IN DEPOSITS

Total deposits of Yapı Kredi grew by 10% to TL 231.1 billion, corresponding to a 15.2% market share among private banks.

As a result of the transfer of shares on 5 February 2020 within the context of share purchase agreements executed by and between the Bank's direct and indirect shareholders, namely UniCredit S.p.A., Koç Holding A.Ş., Koç Financial Services A.Ş. [KFS] and shareholders of KFS regarding the transfer of the Bank and KFS shares, 100% of the shares representing KFS share capital were transferred to the Koç Group [Koç Holding, Koç companies, Koç Family, and related partnerships and foundations controlled by the Koç Family] pro-rata their shareholdings in KFS. Koç Holding, which did not hold any direct shares in the share capital of the Bank before the transaction, currently has 9.02% of Yapı Kredi share capital whereas UniCredit directly has 31.93%. Accordingly, Koç Group's direct and indirect stake in Yapı Kredi [previously at 40.97%] increased by 9.02%. The Bank and its subsidiaries, previously a joint venture of Koç Holding A.Ş. and UniCredit S.p.A. before the transaction, have become subsidiaries of Koç Holding A.Ş. after the transaction.

Additionally, by a notice sent on 6 February 2020 to the Public Disclosure Platform, UniCredit S.p.A. has announced that the sales of Yapı Kredi shares in their ownership representing approximately 12% of the Bank's share capital to qualified institutional investors through accelerated bookbuilding has been completed and that the transaction exchange is expected to take place on 13 February 2020. As a result of this sales transaction, the ratio of shares in the Bank held by UniCredit S.p.A. decreased to 20%, whereas the Bank's free float increased to 30.03%

## Vision

To be the undisputed leader in the finance sector

## Mission

To ensure long-term sustainable growth and value creation for all stakeholders, and become the first choice of customers and employees

## Strategy

A customer centric commercial bank driven by cutting edge technology and committed workforce, delivering responsible growth

Best-in-class profitability, backed by a strong balance sheet, resulting in enhanced and sustainable shareholder returns



# NO LIMIT TO SUCCESS.

*Life may put limits on you.  
Yapı Kredi is here to lift those limits.*

 **YapıKredi**  
Dedication to deliver.

## TL 319 BILLION CONTRIBUTION TO THE NATIONAL ECONOMY

THANKS TO ITS CONSISTENT REVENUE GENERATION PERFORMANCE, THE INCOME YAPI KREDİ DERIVED ON CORE BANKING ACTIVITIES INCREASED BY 4% AND REACHED TL 18.5 BILLION IN 2019. CONTROLLED COST MANAGEMENT PRODUCED A COST/INCOME RATIO OF 36%.

TL 411.2 billion

Total Assets

**+10%**

TL 18.5 billion

Total Core Banking Revenues

**+4%**

190%

Liquidity Coverage Ratio

**+54 pts**

36%

Cost/Income Ratio

TL 3.6 billion

Net Profit

## FINANCIAL PERFORMANCE

Yapı Kredi aims to generate sustainable returns for its shareholders on the back of its customer-centric approach to banking and focus on innovation. With total assets that expanded by 10% year-over-year to reach TL 411 billion, the Bank preserved its position as the third largest private bank in Turkey in 2019. In line with its target of constantly increasing its contribution to the financing of the Turkish economy, the volume of its total cash and non-cash loans expanded by 4% to TL 319 billion in 2019. Commanding a market share of 16.6% among private banks in total cash loans, the Bank's total deposits grew by 10% to reach TL 231.1 billion, corresponding to a 15.2% market share among private banks.

Volumes	2018	2019	Change
Assets (TL billion)	373.4	411.2	10%
Cash + Non-Cash Loans (TL billion)	306.3	318.9	4%
Cash Loans (TL billion)	220.5	229.4	4%
TL Cash Loans (TL billion) <sup>(1; 2)</sup>	117.3	132.6	13%
Customer Deposits (TL billion)	199.9	226.0	13%
TL Customer Deposits (TL billion)	86.9	99.5	14%
<b>Profitability</b>			
Revenues (TL million)	20,037	21,229	6%
Operating Expenses (TL million)	6,685	7,664	15%
Net Income (TL million)	4,668	3,600	-23%
Return on Average Tangible Equity <sup>(3)</sup>	14.2%	9.4%	-481 basis points
Return on Assets	1.4%	0.9%	-43 basis points
Cost/Income Ratio	33%	36%	274 basis points
<b>Capital and Liquidity</b>			
Capital Adequacy Ratio (Bank Only)	14.8%	16.7%	192 basis points
Tier-1 Ratio (Bank Only)	11.4%	13.7%	227 basis points
Loans / [Deposits + TL Bills] (Bank Only)	104.2%	97.1%	-708 basis points
<b>Asset Quality</b>			
Non-Performing Loans Ratio	5.3%	7.4%	204 basis points
Provisions / Gross Loans <sup>(4)</sup>	6.1%	7.2%	113 basis points
Cost of Risk <sup>(5)</sup>	289	312	23 basis points

### Notes:

All data based on consolidated financials unless otherwise stated

"Basis points" indicates difference between ratios

<sup>(1)</sup> Performing cash loans

<sup>(2)</sup> Excluding FX-indexed loans

<sup>(3)</sup> Net Income/Average Shareholders' Equity. Average Shareholders' Equity is calculated by subtracting TL 979 million of goodwill generated from the merger of Koçbank and Yapı Kredi in 2006

<sup>(4)</sup> Including specific and general provisions

<sup>(5)</sup> Based on unconsolidated financial statements. The ratio of total loan impairment provisions to total gross loans excluding collections; Adjusted for FX hedge on ECL.



Detailed information about Yapı Kredi's financial performance in 2019 can be found in the [2019 Annual Report](#), and ratings assigned to the Bank by international rating agencies can be found [here](#).



## POSITIONING

SERVING ITS CUSTOMERS WITH ITS 846 BRANCHES COVERING ALL REGIONS OF TURKEY AND 17,118 EMPLOYEES, YAPI KREDİ DELIVERS ITS PRODUCTS AND SERVICES VIA 4,330 ATMS, INNOVATIVE INTERNET BANKING, LEADING MOBILE BANKING, 3 CALL CENTERS AND APPROXIMATELY 709 THOUSAND POS TERMINALS.

<b>Total Bank</b>	<b>Market Share [sector]</b>	<b>Ranking [sector]</b>
Total Loans [Cash + Non-Cash]	<b>9.4%</b>	<b>5</b>
Deposits	<b>9.0%</b>	<b>7</b>

<b>Distribution Network</b>	<b>Market Share [sector]</b>	<b>Ranking [sector]</b>
Branch	<b>8.3%</b>	<b>6</b>
ATM	<b>8.5%</b>	<b>5</b>

<b>Retail Banking</b>	<b>Market Share [sector]</b>	<b>Ranking [sector]</b>
Credit Card Outstanding	<b>18.7%</b>	<b>1</b>
Credit Card Acquiring	<b>18.6%</b>	<b>1</b>
Number of Credit Cards	<b>17.1%</b>	<b>1</b>
Consumer Loans	<b>8.2%</b>	<b>6</b>
General Purpose Loans	<b>10.0%</b>	<b>5</b>

<b>Corporate and Commercial Banking</b>	<b>Market Share [sector]</b>	<b>Ranking [sector]</b>
Leasing Receivables	<b>20.3%</b>	<b>-</b>
Factoring Turnover	<b>15.2%</b>	<b>-</b>
Cheque Clearing	<b>11.2%</b>	<b>2</b>

<b>Private Banking and Wealth Management</b>	<b>Market Share [sector]</b>	<b>Ranking [sector]</b>
Mutual Funds	<b>13.2%</b>	<b>3</b>
Equity Transaction Volume	<b>12.1%</b>	<b>1</b>

Calculations are based on BRSA weekly data as of 27 December 2019 and BRSA monthly data as of December 2019.



## FIELDS OF ACTIVITY OF YAPI KREDİ

	Products and Services	Yapi Kredi's Areas of Differentiation and Strength
 <p>YAPI KREDİ HAS BEEN SUSTAINING ITS HISTORIC LEADERSHIP IN CREDIT CARDS FOR 31 YEARS.</p>	<b>Card Payment Systems</b> <p>Worldcard, World Gold, World Platinum, Play, Taksitçi, World Eko, Opet Worldcard, Fenerbahçe Worldcard, KoçAilem Worldcard, Adios, Adios Premium, Crystal, World Business, Debit Cards [TLcard, Play TLcard, Business TLcard] Desktop POS, Mobile POS, Contactless POS, ADSL POS, Cash Register POS, Virtual POS, Mail Order, World Mobile, Prepaid Cards [World Cash, Play Cash, World Cash Virtual], Mobile Payment, Payment with QR Code, Payment from Inside the Car</p>	<ul style="list-style-type: none"> <li>• The broad member merchants network making the Bank the market leader in the credit card acquiring volume</li> <li>• Bonus point, discount and installment possibilities at extensive contracted member merchant network</li> <li>• Campaign offers in all sectors to all Worldcard customers every month, enabled by partnerships with major brands</li> <li>• License agreements with three banks driving the prevalence of the World brand</li> <li>• Completed and ongoing infrastructure developments to adjust to digital payment [QR and NFC] options</li> <li>• Historical leadership in credit cards for 31 years</li> <li>• End-to-end digital and personalized shopping experience to card-holder customers enabled by World Mobile, and fast, reliable mobile payment solutions integrated with World Mobile</li> </ul>
 <p>PERSONALIZED PRODUCTS AND SERVICES THAT ARE ALIGNED WITH THE CUSTOMERS' CHARACTERISTICS AND NEEDS IN RETAIL BANKING.</p>	<b>Retail Banking</b> <p>Covers Card Payment Systems, Individual Banking, Private Banking and Wealth Management, and SME Banking.</p> <ul style="list-style-type: none"> <li>• Individual/Individual Portfolio</li> <li>• Yapı Kredi Blue Class</li> <li>• Bancassurance</li> <li>• Private Banking and Wealth Management</li> <li>• SME [Small and Medium-Sized Enterprises]/ME [Medium-Sized Enterprises] Banking</li> </ul>	<ul style="list-style-type: none"> <li>• Expert and experienced workforce</li> <li>• Products and services tailored according to customers' characteristics and needs within the frame of the service model updated in 2019</li> <li>• Priority services and privileges focused on customer satisfaction on all channels</li> <li>• Remote service model based on strong digital infrastructure for customers who prefer to carry out their transactions without going to a branch</li> <li>• Strong and comprehensive finance support to the SMEs through the strategic collaborations established with the programs run by the Credit Guarantee Fund [CGF], where it plays a pioneering role among private sector banks, and Small and Medium Industry Development Organization [KOSGEB] as well as special loan agreements made with foreign financial institutions</li> <li>• Customer relationship management based on a long-term perspective</li> <li>• Assortment of investment products offered to suit customer profiles</li> <li>• Sustained leadership in health insurance branch with 30.9% market share as of year-end 2019 enabled by digital services and conveniences provided</li> </ul>

	Products and Services	Yapi Kredi's Areas of Differentiation and Strength
 <p>MIXED BRANCH SERVICE MODEL IS IMPLEMENTED IN CORPORATE AND COMMERCIAL BANKING FOR HIGH QUALITY SERVICE.</p>	<p><b>Corporate and Commercial Banking</b></p> <p>Corporate and Commercial Banking serves companies with an annual turnover of more than TL 25 million, and is subdivided into Commercial Banking (TL 25 to 500 million) and Corporate Banking (above TL 500 million).</p> <ul style="list-style-type: none"> <li>• Project Finance</li> <li>• Cash Management and Foreign Trade Finance</li> <li>• Investment Banking</li> <li>• International and Multinational Banking</li> </ul>	<ul style="list-style-type: none"> <li>• Second place in cash and non-cash loans among private banks</li> <li>• Mixed branch service model in order to offer the highest quality service to potential commercial customers through geographical penetration</li> <li>• High quality customer services enabled by digitalized products, services and processes</li> <li>• Monitoring on the basis of customers through pricing tools, cross-selling, new products and services, profitability-focus</li> <li>• Focus on companies' cash flows through strong monitoring in cash management and foreign trade activities</li> <li>• The Bank's overall performance backed by strong payroll acquisition, supply chain and private banking customer acquisition</li> </ul>
 <p>TREASURY OPERATIONS OF YAPI KREDİ RELY ON ROBUST INFRASTRUCTURE AND KNOW-HOW.</p>	<p><b>Treasury</b></p> <p>Treasury manages Yapi Kredi's liquidity needs, interest rate risk and foreign currency (FC) position, and controls the Bank's investment portfolio.</p>	<ul style="list-style-type: none"> <li>• Robust infrastructure and know-how</li> <li>• New products introduced in line with client needs and market developments while serving with a broad product range</li> <li>• Transaction and order management at competitive market prices.</li> <li>• Foreign Trade Finance Digital Platform set up to systematically respond to demands related to foreign trade faster and online, and to handle foreign trade data management</li> </ul>



THE THIRD LARGEST PRIVATE BANK IN TURKEY, YAPI KREDİ SUCCESSFULLY PURSUES ITS CUSTOMER-CENTRIC, PIONEERING AND INNOVATIVE BANKING CONCEPT IN ALL OF ITS FIELDS OF ACTIVITY.

## DOMESTIC SUBSIDIARIES OF YAPI KREDİ

	Products and Services	Yapi Kredi's Areas of Differentiation and Strength
	<b>Yapi Kredi Leasing</b> Provides financial leasing solutions for machinery and equipment to a broad array of companies with a particular focus on construction, printing, automotive, tourism, agriculture, medical and real estate sectors.	<ul style="list-style-type: none"> <li>• The biggest balance sheet in the sector</li> <li>• The sector's first mobile application, first online transactions, and secondhand sales module on mobile</li> <li>• Collaboration developed with manufacturers and distributors in various sectors and the sector's first digital platform addressing the same</li> <li>• World Lease product allowing leasing using a credit card</li> <li>• Yapi Kredi Leasing School offering training programs ranging from professional expertise to managerial competence</li> </ul>
	<b>Yapi Kredi Invest</b> Provides a wide range of services from domestic and overseas equity transactions to derivatives and advisory services.	<ul style="list-style-type: none"> <li>• Ranks first in terms of market share in equities and derivatives</li> <li>• Sector's leader in electronic trading</li> <li>• One of the largest and the most experienced domestic brokerage teams</li> <li>• High quality sales and execution service to domestic and foreign institutional investors for different products</li> <li>• One of the leading domestic brokerage house in various IPOs</li> </ul>

**STRONG  
SUBSIDIARIES**

THE OPERATIONS OF YAPI KREDİ ARE SUPPORTED BY ITS DOMESTIC SUBSIDIARIES IN ASSET MANAGEMENT, BROKERAGE, LEASING AND FACTORING.

	Products and Services	Yapı Kredi's Areas of Differentiation and Strength
	<b>Yapı Kredi Factoring</b> Offers sustainable quality in domestic and overseas factoring services, produces unique strategic solutions to the customer portfolio.	<ul style="list-style-type: none"> <li>• The sector's leader since 2001 with its solid partnership and financial structure coupled with high market share</li> <li>• Ranked among the "Best Export Factors" by the Factors Chain International [FCI] for the past 17 years</li> <li>• "Best Factoring Company in Turkey" in 2019 according to the Capital magazine, one of the most prestigious publications in the economy World</li> </ul>
	<b>Yapı Kredi Asset Management</b> Offers Private Pension Funds Management and Discretionary Portfolio Management, and Investment Advisory services.	<ul style="list-style-type: none"> <li>• Consistent and solid track record in performance</li> <li>• Pioneering the sector with advanced product management expertise</li> <li>• Broad range of deep-seated client management services and sales support functions</li> <li>• Market leader in mutual funds excluding money market and short-term bonds&amp;bills funds with 25.2% share</li> </ul>

**Yapı Kredi Leasing:**  
20.34% market share on the basis of leasing receivables

**Yapı Kredi Factoring:**  
TL 19.6 billion transaction volume

**Yapı Kredi Invest:**  
First in terms of market share in equities and derivatives

**Yapı Kredi Asset Management:**  
Market leader in qualified funds with 25.2% share

# BUSINESS MODEL AND STRATEGY

## TRENDS THAT HAVE IMPLICATIONS FOR THE SECTOR

REGULATORY CHANGES

ECONOMIC DEVELOPMENTS

EVOLVING CONSUMER EXPECTATIONS



## TRENDS THAT HAVE IMPLICATIONS FOR THE SECTOR

### DIGITALIZATION AND TECHNOLOGY

### SOCIAL CHANGES

### CLIMATE CHANGE

## OUTPUTS

#### FINANCIAL CAPITAL

- TL 3.6 billion net profit
- Market share leadership in 2019 CGF programs

#### INTELLECTUAL CAPITAL

- 48 digital products developed according to changing trends, customers' needs and experience
- Investment advisory and wealth management
- Ratio of digital banking customers - 71%
- Ratio of mobile banking customers - 65%
- Investments of more than TL 130 million for cyber security and anti-fraud in the last 3 years

#### HUMAN CAPITAL

- 34 hours of training per employee
- 62% - ratio of women employees, 43% - ratio of women in managerial levels
- 1,943 Yapı Kredi employees that transferred between segments under the "My Career Journey" program
- 96% - return to work rate after maternity leave
- 97% - retention rate after maternity leave
- Approximately 750 students and prospective employees benefiting from the young talent and internship programs

#### RELATIONSHIP AND SOCIAL CAPITAL

- Loan and deposit products that address the needs and characteristics of all customer groups
- Leader in the sector in Customer Relations Centers with complaint handling time decreased to one day
- Social investments worth TL 28.4 million

#### NATURAL CAPITAL

- The first green bond issuance worth USD 50 million
- USD 217 million allocated in 2019 in loans to renewables projects with a total installed capacity of 203 MW
- 19 projects evaluated under the Environmental and Social Risk Assessment System

#### INVESTORS AND SHAREHOLDERS

- Maximized market capitalization
- Superior service delivered to national and international investors
- The 3<sup>rd</sup> largest private bank in Turkey
- Pioneering the future of banking in Turkey based on solid banking foundations
- One of the 10 most valuable brands in Turkey

#### EMPLOYEES

- Qualified Yapı Kredi employees possessing the competencies of the future
- Equal opportunity concept that forms the basis of all HR processes
- A working environment that establishes the work-life balance
- Yapı Kredi culture that has been preserved for 75 years

#### CUSTOMERS

- Customer experience scores assigned to branch, call center and Internet branch channels are 80%, 82% and 77% respectively
- Increasing financial inclusion through products and services that are delivered to each and every segment of the society
- Secure, high-quality service

#### SOCIETY

- Support to Turkey's transition to a low-carbon economy with climate-oriented financing products
- Support extended to sustainable development through versatile corporate social responsibility projects
- Contribution to culture and art for 75 years

## STAKEHOLDER VALUE

# MATERIAL ISSUES

Yapi Kredi's material issues make the foundation of its business model and value creation concept, and provides guidance in setting the Bank's strategic direction. When determining the material issues that are regularly reviewed, stakeholder analysis, external trends, executive inputs, and risks and opportunities are considered. Stakeholder feedback received through online surveys in 2017 serve as a key input of Yapı Kredi's material issues.

## When identifying the material issues for stakeholders:

- Inputs and expectations of priority individuals and institutions within all stakeholder groups are sought through stakeholder analysis;
- Global and sectoral trends, and the priorities of international organizations and global sustainability indices are incorporated through external trend analysis.



## When identifying the material issues for Yapı Kredi:

- Inputs and expectations of senior management are sought;
- The Bank's strategic plan is taken into consideration;
- Financial, regulatory, innovative and competitive risks and opportunities are assessed through a four-stage impact analysis.

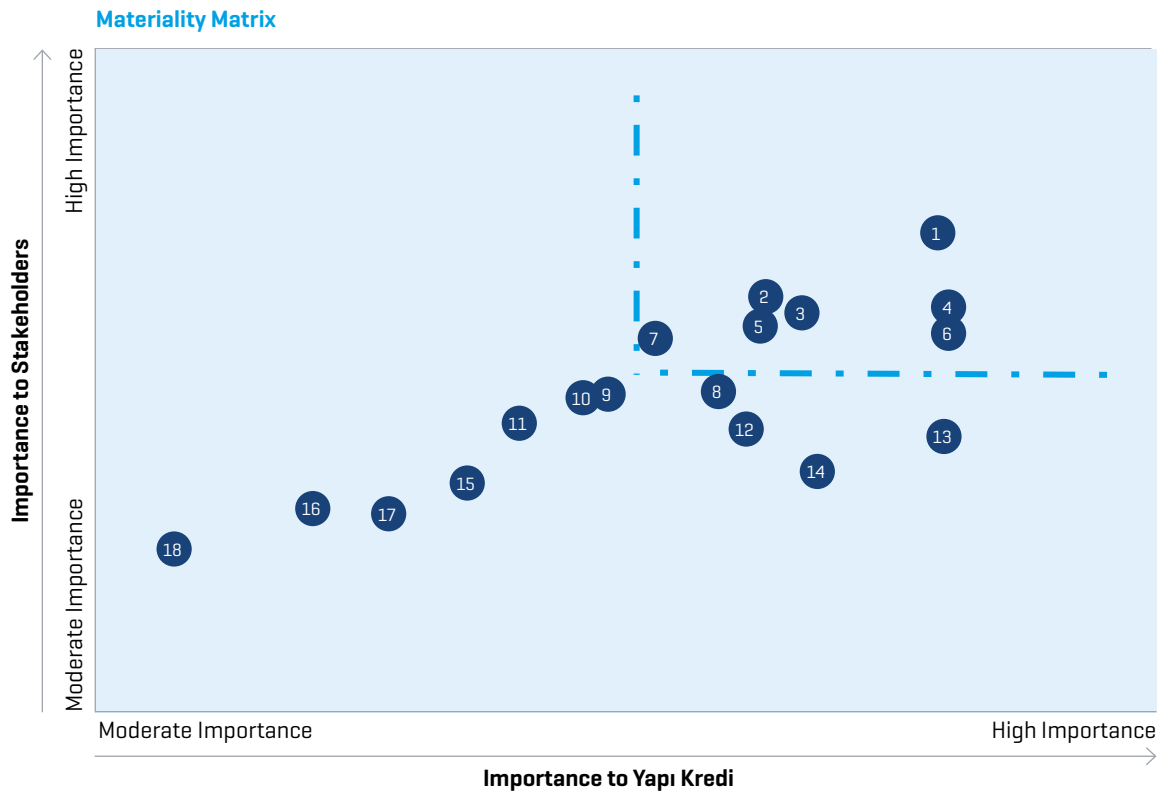
WITHIN THE CONTEXT OF ITS FIRST INTEGRATED REPORT, YAPI KREDİ UNDERTOOK ANOTHER REVIEW OF ITS MATERIAL ISSUES. DIGITALIZATION, CUSTOMER EXPERIENCE, ETHICS AND TRANSPARENCY HAVE BEEN ISSUES WITH INCREASED IMPORTANCE FOR YAPI KREDİ.

Within the context of its first integrated report, Yapı Kredi undertook another review of its material issues. The issues were scrutinized with nine senior managers. Upon an assessment of external trends, and the risks and opportunities entailed in each issue, the material issues of other banks in the sector were included in the analysis. While the analysis produced material issues similar to those in previous years, digitalization, customer experience, ethics and transparency have been issues with increased importance for Yapı Kredi.

## Sustainable Development Goals (SDGs)

	Material Issue	SDGs
Corporate Governance	<ul style="list-style-type: none"> <li>2 Risk Management</li> <li>3 Ethics and Transparency</li> </ul>	
Customer-Centric and Innovative Banking	<ul style="list-style-type: none"> <li>1 Digitalization and Innovation</li> <li>6 Data Privacy and Cyber Security</li> <li>4 Customer Experience</li> </ul>	 
Impactful Products and Services	<ul style="list-style-type: none"> <li>5 Sustainable Products</li> </ul>	    
Competent Employees	<ul style="list-style-type: none"> <li>7 Talent Management and Employee Satisfaction</li> </ul>	   






1	Digitalization and innovation	10	Responsible marketing
2	Risk management	11	Financial inclusion
3	Ethics and transparency	12	Environmental, Social and Governance (ESG) criteria in financing
4	Customer experience	13	Financial performance
5	Sustainable products	14	Regulatory compliance
6	Data privacy and cyber security	15	Environmental footprint
7	Talent management and employee satisfaction	16	Financial literacy
8	Corporate governance	17	Social investments
9	Equal opportunities and diversity	18	Responsible supply chain management

# STAKEHOLDER RELATIONS

Yapı Kredi believes that recognizing the impact its business has on its stakeholders and their businesses is critical for creating lasting value. Understanding the issues that stakeholders consider material for Yapı Kredi and finding out their expectations enable the Bank to better manage risks and opportunities. The Bank espouses the concept of establishing mutual and effective communication with all stakeholders, which it categorizes as employees, customers, investors, non-governmental organizations (NGOs), international organizations, business partners, public agencies, suppliers and universities. The Bank integrates stakeholder feedback into decision-making mechanisms and shapes its strategy accordingly.

Customers lie at the heart of Yapı Kredi's business and constitute one of the most important stakeholder groups. The Bank seeks its customers' feedback and constantly works to improve customer experience and the products delivered to them.

 Information about how customer feedback is integrated into all processes can be found in the section titled Customer Experience and Satisfaction.

Giving importance to playing a part in the sustainable transformation of the sector, Yapı Kredi is actively engaged in working groups being a part of multiple-stakeholder initiatives, and collaborates with various financial institutions.

Yapı Kredi joined the **United Nations Principles for Responsible Banking (UN PRB)** in 2019 as a founding signatory and took place among the global banks giving direction to the sustainability agenda. The initiative was launched during the UN General Assembly meeting held on 22 September 2019 in New York, and Yapı Kredi and five other banks from Turkey that took place as founding signatories held a press meeting on 4 October 2019 in İstanbul. Aiming to raise awareness of sustainability in the banking sector with the help of the press meeting, Yapı Kredi also consolidated its cooperation with the signatory banks.

Within the scope of the UN PRB, Yapı Kredi intends to set targets for the areas where it has the highest environmental and social impact, to report its performance in these areas, and to obtain limited assurance from an independent firm with respect to its progress in four years.

A member of **The Banks Association of Turkey (BAT)**, the Bank actively takes part in all the activities of the Association, and is represented on the BAT Board of Directors.

## UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING

Yapı Kredi joined the United Nations Principles for Responsible Banking (UN PRB) as a founding signatory.

## ENVIRONMENTAL AND SOCIAL TARGETS

Yapı Kredi intends to set targets for the areas where it has the highest environmental and social impact and to report its performance in four years.

An active member of **Turkish Industry and Business Association's (TÜSİAD)** Environment and Climate Change Working Group, Yapı Kredi also participates in the said working group's Climate Change and Low-Carbon Economy, Financing Models and Incentives, and Partnership for Market Readiness (PMR) Sub-Working Groups. The Bank is among the active members of Gender Equality and Energy Working Groups, as well. Collaborations are carried out with various public agencies, NGOs and international organizations through TÜSİAD's working groups. Yapı Kredi contributes to TÜSİAD's position statements and extends support for reports and researches associated with workspaces depending on the working group's agendas.

Additionally, taking place in the Local Network Turkey of UN Global Compact, the world's largest corporate sustainability initiative, Yapı Kredi follows up Sustainable Finance, Inclusion and Diversity, Gender Equality and Environment

Working Groups within **Global Compact Turkey**. In 2017, the Bank became a founding signatory of the Global Compact Turkey's Declaration on Sustainable Finance that represents a sectoral collaboration within the scope of the activities of Global Compact Turkey Sustainable Finance Working Group. The Bank contributes to the annual updates of this declaration.



Channels of communication with stakeholder groups can be found [here](#).



The list of memberships and supported initiatives can be found in the [Appendices](#).

ESPOUSING THE CONCEPT OF ESTABLISHING MUTUAL AND EFFECTIVE COMMUNICATION WITH ITS STAKEHOLDERS, YAPI KREDİ INTEGRATES STAKEHOLDER FEEDBACK INTO DECISION-MAKING MECHANISMS AND SHAPES ITS STRATEGY ACCORDINGLY.

## TRENDS AND THEIR IMPLICATIONS FOR THE SECTOR

Various trends including economic and political events, regulatory changes, and evolving customer expectations and needs bear implications for the banking sector. Besides these trends, Yapi Kredi keeps a close eye on a number of topics such as digitalization and cyber security, talent management and climate crisis, and works to capture opportunities by correctly managing the risks arising from these developments. The Bank further improves its business model by the day and takes its strategic steps accordingly in a bid to offer the best service to its customers.

### TRENDS

#### ECONOMIC AND POLITICAL DEVELOPMENTS

In 2019, geopolitical uncertainties and protectionist policies persisted in global markets, in connection with which slowdown in global growth and trade conflicts endured. Central banks in different countries have taken numerous steps in an effort to save the world from the creeping stagnation trend.

The latest developments in global markets, coupled with the decisions made by the United States Federal Reserve System (the Fed) and the European central banks supported the demand for the financial assets of developing countries and risk appetite, and contributed to the positive course of 2019. Three rate cuts implemented by the Fed, representing a stance contrary to the anticipations at the onset of 2019, made one of the highlights of the year in terms of global macroeconomic developments.

In Turkey, the Central Bank of the Republic of Turkey (CBRT) sustained its tight interest rate policy stance in the first half of 2019, and took the necessary measures for the dominant high inflation levels. The CBRT's steps in relation to the policy rate, the rebalancing process of the Turkish economy and the stable course of the local currency backed the downturn in market rates. In 2019, the budget deficit expanded by 70% year-over-year and amounted to TL 123.7 billion because of the rise in revenues that remained below the rise in expenditures due to decelerated economic activity.

Having undertaken an important part in economic rebalancing, the banking sector successfully fulfilled this role in 2019. The sector's liquidity ratios were maintained at strong levels while the growth rate of balance sheets proceeded in a controlled manner. Total assets available to the sector were up by 15% to top TL 4 trillion in the twelve months to end-December 2019. TL loans were revived, especially upon initiation of rate

cuts, and grew 16% as compared with year-end 2018. In the reporting period, the deceleration in long-term investments and rebalancing efforts of the private sector that was suffering from elevated foreign currency (FC) positions led to continued contraction in FC loans.

In addition, deposits that make the greatest funding source of banks went up by 22% as compared to year-end 2018. Hence, the sought-after and awaited balancing in loan-to-deposit ratio (including TL bonds) was captured, which declined from the order of 110% to 100% in 2019.

Having broken out in China and spread across the whole world quickly with the effect of globalization in the first quarter of 2020, the Coronavirus (COVID-19) disease produced a negative impact upon the markets, while this deceleration in the South Asian economy is anticipated to substantially influence the global development index through the rest of the year as well. Central banks, banking regulatory authorities and government treasuries all over the world began taking measures to mitigate the negative effects of this pandemic. At this point, actions to reduce interest rates so as to fuel cash flow into the markets and banking regulators' moves concerning banks' liquidity and cash needs gain the foreground. Governments, on the other hand, devise mechanisms such as additional support packages, tax exemptions and employment incentives against the deceleration in the real sector.

Against COVID-19, Turkey also took various actions in parallel with the general trend in the world, including additional liquidity support, loosened bank requirements, and a new credit scheme. Having robust balance sheet and capital ratios, the banks introduced additional measures and began to take steps that will support customers and the economy.

## HOW WE MANAGE

Amid an environment of economic uncertainty and stagnant market, actions were taken to keep Yapı Kredi's profitability at projected degrees, to preserve the Bank's asset quality at manageable levels, and restructuring was completed for large conglomerates. In 2019, capital adequacy ratios were further consolidated and bonds were issued that qualify as Tier-2 capital in the total amount of TL 800 million and as additional Tier-1 capital in the amount of TL 650 million. 2018 earnings were retained, further reinforcing the shareholders' equity. Consolidated capital adequacy ratio, which was 14.8% at the end of 2018, closed the year +468 bp above the regulatory limit and reached 16.7%

Putting the COVID-19 pandemic that took the whole world in its grip and its effects under close watch from very first day, Yapı Kredi has been managing the process on the basis of a 5-phase protocol set. Prioritizing the community health with primary focus being given to employees and customers, a series of measures were put into implementation in the first quarter of 2020. Within the framework of business and operational continuity, the Bank undertook regular information sharing and communication, implemented sanitization and disinfection programs for work spaces and climatization systems, and introduced infrastructure preparations for remote working of all the employees possible. Alongside, working hours of branches were updated, while a work-rotation scheme was put in place. Preparations were completed to enable teleworking for employees at the Customer Relations Center

providing service out of three different locations, and teleworking system was put into life for all these employees. The Bank supplies personal protective gear such as masks, disinfectants and gloves for all of its employees on an ongoing basis.

Taking also the economic effects of the pandemic process into consideration, Yapı Kredi introduced economy support packages. Within this context, the Bank granted a three-month deferment, upon request, for loan repayments and credit card payments of all of its individual and corporate customers, did not charge fees for EFT/money transfers made through alternative distribution channels and for cardless cash withdrawals/deposits, and supported the banking needs and commercial activities of its individual and corporate customers within available limits. The Bank also joined the Treasury-supported and CGF-backed [Credit Guarantee Fund] "Cheque Payment Support Package" and "Opex Loan Support Package" programs with the purpose of minimizing the potential effects of the pandemic on the employment, manufacturing, trade and payment systems.

Continuing to work to protect community health and sustain its support to the national economy for the rest of 2020 with the measures it has adopted and support packages it has introduced with respect to COVID-19, the effects of which it expects to see throughout the whole year, the Bank keeps comprehensively managing the multifaceted risks of the pandemic.

## TRENDS AND THEIR IMPLICATIONS FOR THE SECTOR

## TRENDS

REGULATORY  
CHANGES

Being a critical component of the financial system, the banking sector is strictly regulated and its activities are thus kept under control.

The activities of the banks that deliver a variety of services within the financial system are regulated, kept under control and supervised by several public authorities, namely the Banking Regulation and Supervision Agency (BRSA), the Central Bank of the Republic of Turkey (CBRT), Capital Markets Board of Turkey (CMB) and the Republic of Turkey Ministry of Trade.

Numerous regulatory changes were either introduced in the Turkish banking sector in 2019 or necessary preparations were initiated for their enforcement in 2020. Similarly, 2020 is anticipated to be an intensive year with respect to the changes in the regulatory framework governing banks. While some of these changes are intended to regulate the banks' operations, some others are directly targeted at economic activities.

Following suit of the past several years, the Republic of Turkey Ministry of Treasury and Finance announced additional CGF packages in 2019 to drive economic growth and to supply the market with liquidity for this purpose. This fund continues to be channeled to the real sector via banks in 2020.

In an effort to keep individual consumption lively, the BRSA introduced certain arrangements such as increased number of installments in consumer loans, and reduction in minimum payment amounts in credit cards. The BRSA also made moves to facilitate repayments by restructuring general-purpose loans taken out by real persons who are financially distressed. For commercial customers, financial restructuring agreements were encouraged through the modifications to the Banking Law no. 5411.

The CBRT, on the other hand, reduced the maximum interest rates applied to credit cards, and imposed restrictions on commissions that can be charged to member merchants. In addition to those, the CBRT aimed to steer the financial markets by making active use of the required reserve mechanism throughout the year. This mechanism will presumably remain as an important element also in 2020.

Based on an amendment to the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, the responsibility for regulating was transferred from the BRSA to the CBRT. This has enforced an arrangement contained in the European Union's (EU) revised Payment Services Directive (PSD2) that allows certain banking services to be offered via fintechs, which are third party technological solutions, through Application Programming Interfaces (APIs).

In addition to these regulations introduced, the BRSA announced the "Regulation on Banks' Information Systems and Electronic Banking Services" that impose significant changes for the banks' information system infrastructures and electronic banking channels in 2019. The Regulation was published, and will come into effect on 1 July 2020.

Through modifications in the Banking Law in the first quarter of 2020, the definition of risk groups was updated. Besides, the CBRT was authorized for determining the banks' benefits such as interest rates, fees and commissions. The CBRT introduced an arrangement setting limits for the fee items that banks can charge to their commercial customers.

## HOW WE MANAGE

The regulatory experts team of the Bank closely monitors these regulatory changes that have a direct impact on the banking products and services delivered, as well as business processes. These changes are assessed, interpreted, analyzed with respect to their implications by the regulatory, legal and other units, upon which professional associations and legal authorities are contacted as and when necessary. As a result of the related planning processes, full regulatory compliance is achieved. At the same time, the Bank identifies the possibilities that may be accompanying regulatory changes, along with the opportunities that they bring, and focuses on these opportunities in new product and service developments.

The banking sector exists within a very active and variable regulatory atmosphere. While adjustment to this atmosphere is enabled by an agile business model, it also requires the presence of certain complementary elements. Through its expert regulatory staff, Yapı Kredi closely monitors the regulatory framework, the changes thereto, new arrangement plans, the changes introduced and new regulations. Through close collaboration of related business units, impact analysis is conducted, necessary decisions for bringing processes and business models into compliance with the regulations are jointly and quickly adopted with the related units. However, compliance of processes and business models is not sufficient to achieve regulatory compliance; it also calls for regular activities by audit and control units. Within this framework, Internal Audit and Internal Control units continually conduct regular audits and controls to verify the regulatory compliance of banking activities.

## TRENDS AND THEIR IMPLICATIONS FOR THE SECTOR

### TRENDS

#### DIGITALIZATION AND CYBER SECURITY

Undergoing a major transformation with digitalization, the banking sector improves customer experience, provides personalized innovative products and services, achieves operational efficiency, popularizes banking services and reduces branch dependency thanks to technologies such as cloud technology, mobile and integrated payment systems, big data, internet of things, and artificial intelligence [AI]. Based on more efficient customer management, life-easing products and services that a given customer needs are suggested, resulting in higher customer satisfaction and loyalty. At the same time, while faster development of personalized products and services is enabled, these products and services are sold through different channels, thereby creating new sales channels and revenue items. This optimizes banking processes and results in a more productive operations management.

Additionally, with the provision of banking services via APIs and third party fintechs, which is sanctioned by the European Union [EU] revised Payment Services Directive [PSD2] published in 2018, we will be seeing collaboration of banks with different banks and fintechs more frequently. While this change, that is dubbed new generation banking services, supports the digital transformation of banks, it will also allow customers to receive different services concurrently from a single platform. Through this alteration in the finance sector, we will be seeing all players in the market, being institutions, fintechs and banks, interconnect. Nonetheless, financial risks will be shared by all the actors, and joint management of these risks will become compulsory.

While taking advantage of the opportunities resulting from digitalization and delivery of innovative services, risks such as information security and cyber threats must be duly managed.



## HOW WE MANAGE

Working to offer the best to its customers through digital transformation, Yapı Kredi offers personal, on-site and efficient experiences to its customers thanks to data analysis processes. The Bank sustained its sector leading position in digital banking channels also in 2019 owing to its innovative approach. Keeping a close eye on the advancements in technology within the context of its digital banking strategy, Yapı Kredi targets to respond quickly to changes that occur in the lifestyles and usage habits of customers, and to develop products and services that will provide customized solutions for their needs. As a result of projects and developments designed for achieving efficiency and effectiveness on all service channels, 91% of all financial transactions went through digital channels or took place automatically in 2019. By taking the digital service model concept initiated at branches beyond branches thanks to tablet PCs, it is intended to involve customers in digital transformation at all points.

Yapı Kredi employs AI applications to automatically conduct financial analysis of companies in the Corporate, Commercial and SME Banking Segments.

Working around the clock against attempted fraud and cyber attacks targeted at the Bank and its customers, cyber security teams and systems are supported with advanced analytical and AI capabilities. In addition, the data center, which holds ISO 27001 Information Security Management System certification, operates in accordance with the system's requirements. In our day, it has become critical to have additional assurance in addition to technological protection put in place against cyber risks. Accordingly, Yapı Kredi obtained a cyber risk insurance policy, being the first in the Turkish banking sector to do so.

Yapı Kredi closely follows up the fintech ecosystem in the area of alternative distribution channels, gets together with fintechs that it considers capable of offering value-added services to users, and considers collaboration possibilities. The Bank continues to work towards promoting its banking products to anyone, customers and non-customers alike, through APIs, and to enable them to apply for its products on different digital media. This lets the Bank not only reach non-customers, but also provides them with life-easing solutions.



Detailed information about digitalization and cyber risks can be found in the section titled Digital Banking.

## TRENDS AND THEIR IMPLICATIONS FOR THE SECTOR

### TRENDS

#### EVOLVING CUSTOMER EXPECTATIONS

The banking sector needs to adjust quickly to trends emerging in customer and stakeholder expectations from evolving community dynamics. To secure a competitive edge, it is important for banks to offer suitable products and services to customers that have a variety of expectations such as higher quality and faster service, personalized products and services, and new experiences. Requiring differentiation and scaling in the business model, this situation poses major challenges for banks including the necessity to manage numerous different operations and risks associated with them.

In order to respond to these expectations, banks need to have an insight into their customers and the market, and to constantly monitor emerging and existing trends. It is observed that banks

increasingly work towards developing digital, innovative products and services aligned with the expectations in order to cater to the anticipations of generations Y and Z in particular. While use of digital channels is promoted on one hand, branches and ATMs continue to be used actively, on another. Seemingly, new generation banking models that position physical and digital channels as a sequel of each other and that can emotionally connect with the customers turn out to be successful.

It is observed that customers play an active role to drive companies to come up with inclusive, responsible and flexible solutions. This change obligates banks to cater to the society's growing demands and expectations.

### TRENDS

#### TALENT MANAGEMENT

Undergoing an enormous transformation, the banking sector needs to attract and retain skilled, agile talents who can quickly adjust to the ongoing transformation. As business profiles change with the participation of the members of generations Y and Z in business life, it gets more and more difficult to identify and train the banking leaders of the future who are able to establish a balance between technological competence and professional knowledge, are strong in

interpersonal relations, facilitate change with their inspiring and far-sighted vision, and support an inclusive working environment by observing the distinctions between in-office and virtual working environments.

## HOW WE MANAGE

In order to closely monitor customer experience in a holistic manner, Yapı Kredi Customer Experience Committee regularly follows up quality data, customer complaints, and customer perception; customer feedbacks are tracked by teams/branch managers on a daily basis. In addition, the Innovation and Customer Experience Division, which was established in 2017 with the vision of achieving excellence in customer experience, continues to develop new service models to deliver the best experience to customers at all touchpoints. To this end, the Division places customers at the center of all product and service designs, follows up the innovations within and outside the sector, and employs new technologies in surveys conducted to explore customer needs and sentiments.

In a bid to offer better service to its customers, Yapı Kredi updated its service model in the Retail

Banking business line in the second half of 2019. Accordingly, the Bank has begun to offer services that are more tailored to customer needs in the Individual, Individual Portfolio, Blue Class and Private Banking sub-segments. Within the scope of the new service model, service is provided to the business owner customers through the Business Portfolio Managers located at branches.

Yapı Kredi constantly upgrades its products and services that are customized according to different customer characteristics and needs making use of the power of digitalization, as well.

Information about the development process of services rendered to customers can be found in the section titled Customer Experience and Satisfaction.

Yapı Kredi works with the best talents in its sector, and reconstructs the working culture by offering its employees convenient and flexible working environments where they can best manifest their potentials.

Carrying on with its efforts to strengthen employer brand perception in the eyes of students, candidates and employees, the Bank's Human Resources (HR) activities are ongoing with a focus on identifying the right talents in line with its targets and core values.

Yapı Kredi Banking Academy (YKBA) coordinates the development activities for all employees of Yapı Kredi and its subsidiaries in Turkey and abroad. YKBA provides development programs that are designed in collaboration with local and international universities via 250 in-house trainers, supported by leading consultants and academics to employees, customers and university students.

Detailed information about talent management can be found in the section titled Competent Employees.

## TRENDS AND THEIR IMPLICATIONS FOR THE SECTOR

### TRENDS

#### CLIMATE CRISIS

One of the most vital issues of our day, the climate crisis constitutes an important threat for many sectors. 2019 has been a year during which the concrete effects of the climate crisis began to be witnessed. We have seen months-long fires in the Amazon jungle, Siberia, and then in Australia. The natural disasters that killed approximately one billion animals and destroyed thousands of houses reveal that the climate crisis triggers extraordinary droughts.

On the other hand, climate strikes that take place all over the world show the young generation's sensitivity about the issue and the urgency of the

need to take action. The top five risks covered in the global risks report released in the World Economic Forum (WEF) in January 2020 are associated with the environment and the climate. Accordingly, it is critical to keep the increase in the global average temperature below 2°C above pre-industrial levels to mitigate the impacts of global climate change, and to establish collaborations and partnerships to this end. Policies and financing for climate-resistant investments are what we need in the first place for climate mitigation and adaptation.

## HOW WE MANAGE

Yapı Kredi kept supporting Turkey's transition to a low-carbon economy by financing renewable energy projects also this year. As of December 2019, renewable energy projects constituted 43% of the Bank's total project finance energy portfolio.

The Bank continued to cooperate with international financial institutions including the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), and Proparco, a subsidiary of the French Development Agency (Agence Française de Développement-AFD) in the area of sustainable finance, in addition to making use of its own robust shareholders' equity. Through the agreement made with the EBRD within the scope of Turkey Residential Energy Efficiency Financing Facility (TuREEFF), special funding at favorable interest rates were made available to SMEs selling high energy-efficient products in 2019.

In keeping with its goal of developing sustainable and innovative products, Yapı Kredi carried out its first green bond issuance in the amount of USD 50 million with a 5-year maturity in January 2020. The Bank sustains its support to green energy by allocating the bond proceeds to renewable energy projects.

In addition to that, the Bank assesses the risks stemming from the projects and investments it finances and takes action accordingly within the scope of the Environmental and Social Risk Assessment (ESRA) System set up with the purpose of managing the environmental and social risks of its lending activities.

Managing its direct environmental impact resulting from its operations through its Environmental Management System that is compliant with ISO 14001, the Bank measures its GHG emissions on a yearly basis and implements improvement projects. Within this context, the electricity need has been supplied from renewable sources for one of the Head Office buildings with the most intensive operations in its entirety, and for the other one at a ratio of 15% in 2019.

Also in 2019, Yapı Kredi transparently shared its CDP Climate Change report with its stakeholders, whereby it reports its strategy, targets and performance regarding climate change since 2016.





# CORPORATE GOVERNANCE

MANAGING ALL OF ITS BUSINESS PROCESSES IN LINE WITH ITS CODE OF ETHICS AND BUSINESS CONDUCT PRINCIPLES, YAPI KREDİ HAS CENTERED ITS CORPORATE GOVERNANCE APPROACH AROUND THE BANK'S FIVE CORE VALUES: FREEDOM, RESPECT, FAIRNESS, TRANSPARENCY AND TRUST.

## Risk culture

Recognizing the role of risk management in lasting sustainable growth, Yapı Kredi takes steps to establish an effective risk management structure and risk culture.

## 9.62

Corporate Governance Rating of Yapı Kredi increased to 9.62 in 2019.

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

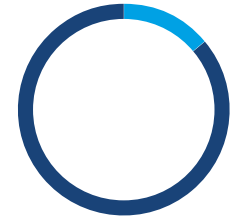
Yapı Kredi has centered its corporate governance understanding around the Bank's Five Core Values: freedom, respect, fairness, transparency and trust. The values drive the Bank to do business in a more open, transparent, accountable and ethical manner.

Effective corporate governance allows the Bank to manage its responsibilities towards its other stakeholders, as well as customers and shareholders, transparently and reliably.

## Board of Directors\*

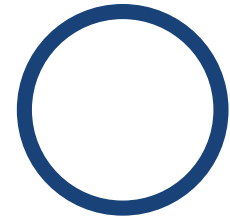
Ali Y. KOÇ	Chairman of the Board of Directors
Niccolò UBERTALLI	Vice Chairman of the Board of Directors
Gökhan ERÜN	Executive Director and Chief Executive Officer (CEO)
Marco IANNACCONE	Executive Director and Chief Operating Officer
Ahmet F. ASHABOĞLU	Member of the Board of Directors
Levent ÇAKIROĞLU	Member of the Board of Directors
Mirko D. G. BIANCHI	Member of the Board of Directors
A. Ümit TAFTALI	Member of the Board of Directors
Giovanna VILLA	Member of the Board of Directors (Independent)
Gianfranco BIASGNI	Member of the Board of Directors
Wolfgang SCHILK	Member of the Board of Directors (Independent)
Carlo VIVALDI	Member of the Board of Directors
Dr. Ahmet ÇİMENÖĞLU	Member of the Board of Directors (Independent)
Virma SÖKMEN	Member of the Board of Directors (Independent)

## Board of Directors - Gender



Male	85.7%
Female	14.3%

## Board of Directors - At Least 5 Years' Experience on Audit, Accounting and/or Finance



At Least 5 Years' Experience	100%
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\* As of 5 February 2020;

1) Directors Carlo Vivaldi, Mirko D. G. Bianchi, Gianfranco Bisagni, Giovanna Villa (Independent) and Marco Iannaccone (Executive Director) resigned from their duties in the Board of Directors

2) Marco Iannaccone, Chief Operating Officer (COO), Massimo Francese, Assistant General Manager responsible for Financial Planning and Administration (CFO), Giovanni Battista Avanzi, Assistant General Manager responsible for Internal Audit and Albert Angersbach, Assistant General Manager responsible for Risk Management (CRO) of our Bank, resigned from all their duties within the Bank;

Based on the resolution taken on 5 February 2020 by the Board of Directors of our Bank;

1) Nevin İmamoğlu İpek was appointed as a Director of our Bank

2) Levent Çakiroğlu, Director, was elected as Vice Chairman of the Board of Directors, to replace Niccolò Ubertalli

As of 20 February 2020,

As per Item 6(3)a of the Communiqué Serial II-17.1 of CMB on Corporate Governance, Nevin İmamoğlu İpek assigned as Member of the Audit Committee shall be deemed as an Independent Board Member.



## Senior Management\*

Gökhan ERÜN	Executive Director and Chief Executive Officer (CEO)
Marco IANNACCONE	Executive Director and Chief Operating Officer
Erhan ADALI	Assistant General Manager - Corporate and Commercial Banking
Hakan ALP	Assistant General Manager - Human Resources and Organization
Albert ANGERSBACH	Assistant General Manager - Risk Management
Giovanni AVANZI	Assistant General Manager - Internal Audit
Yakup DOĞAN	Assistant General Manager - Alternative Delivery Channels
Cahit ERDOĞAN	Assistant General Manager - Information Technologies and Operations Management
Nurgün EYÜBOĞLU	Assistant General Manager - Corporate and Commercial Credits
Massimo FRANCESE	Assistant General Manager - Financial Planning and Administration (CFO)
Arif İSFENDİYAROĞLU	Assistant General Manager - Retail Banking Sales
Demir KARAASLAN	Assistant General Manager - Retail Credits
Mehmet Erkan ÖZDEMİR	Assistant General Manager - Compliance and Internal Control
Cemal Aybars SANAL	Assistant General Manager - Legal Affairs
Serkan ÜLGEN	Assistant General Manager - Retail Banking
Saruhan YÜCEL	Assistant General Manager - Treasury and Financial Institutions

\* Based on the resolution by the Board of Directors of our Bank on 20 March 2020;

1) Demir Karaaslan, Assistant General Manager responsible for Retail Credits, was appointed as the Assistant General Manager (CFO) responsible for Financial Planning and Administration.

2) The title of Assistant General Manager responsible for Human Resources and Organization Hakan Alp was changed to Assistant General Manager responsible for Human Resources, Organization and Internal Services.

3) The title of Assistant General Manager responsible for Information Technologies and Operations Management A. Cahit Erdoğan was changed to Assistant General Manager responsible for Information Technologies and Operations Management (COO).

4) Nurgün Eyüboğlu, Assistant General Manager responsible for Corporate and Commercial Credits, was appointed as the Assistant General Manager responsible for Credits.

**CORPORATE GOVERNANCE PERFORMANCE OF YAPI KREDİ HAS BEEN RISING REGULARLY SINCE 2008. THE BANK'S CORPORATE GOVERNANCE RATING, WHICH WAS 9.58 ON A SCALE OF 10 IN 2018 IN LINE WITH THE PRINCIPLES SET OUT BY THE CAPITAL MARKETS BOARD OF TURKEY (CMB), ROSE TO 9.62 IN 2019.**

Out of the 14 members of Yapı Kredi Board of Directors, 4 are independent members<sup>6</sup>, 2 of whom are women. In line with Corporate Governance Principles, the roles of the Chairman of the Board and CEO are fulfilled by different individuals. The Executive Committee, Audit Committee, Credit Committee, Corporate Governance Committee and Remuneration Committee pursue activities with the aim of supporting the Board of Directors.



Detailed information about the number and responsibilities of the members of the Board of Directors and Committees can be found on pages 80-83 of the [2019 Annual Report](#) and in the [Corporate Governance Principles Compliance Report](#).<sup>7</sup>

<sup>6</sup> Under Article 6(3)a of the CMB's Corporate Governance Communiqué, two members are considered as Independent Members since they serve on the Audit Committee.

<sup>7</sup> The structure of the Bank's Board of Directors was changed by the decision dated 5 February 2020.

## SUSTAINABILITY MANAGEMENT

The banking sector bears a direct or indirect impact upon the lives of a large segment of the society through the financial instruments it provides, and the services offered at various levels ranging from individuals to corporations. Therefore, it becomes critical that banks establish corporate sustainability structures, and regularly and systematically follow up their ESG performances in this context.

Yapı Kredi introduced the Sustainability Management System (SMS) in order to define the sustainability-related tasks and responsibilities within the Bank and to incorporate sustainability within decision-making mechanisms. Through the SMS, sustainability activities are followed up holistically on the basis of policies and procedures.

The Sustainability Committee is the highest body within Yapı Kredi, which is responsible for integrating sustainability in business processes and for monitoring sustainability performance. Set up in 2014, the Committee is co-chaired by a Board Member and Corporate Communications Director, who are members

of the Committee. During 2019, the Committee addressed various subjects including sustainable finance, environmental management system and sustainability governance structure, and evaluated the gains from the previous year. The Committee regularly reports its activities to the Executive Committee and the Board of Directors.

Working under the Corporate Communications Management, the Sustainability Unit provides the internal coordination for realizing Yapı Kredi's sustainability strategy and policies, monitors the Bank's sustainability targets and performance, ensures data consolidation with respect to sustainability within the Bank, and handles sustainability communications. The Sustainability Unit directly reports the progress and performance achieved in the area of sustainability to the Sustainability Committee, and conveys the current developments in this area to the Committee. Internal task and responsibility assignments in relation to sustainability occur in line with the Sustainability Management System. During 2019, 55 employees received sustainability training.

THROUGH THE YAPI KREDİ SUSTAINABILITY MANAGEMENT  
SYSTEM SUSTAINABILITY ACTIVITIES ARE MANAGED  
HOLISTICALLY UNDER THE SUPERVISION OF THE SUSTAINABILITY  
COMMITTEE.

WORKING UNDER THE CORPORATE COMMUNICATIONS MANAGEMENT, THE SUSTAINABILITY UNIT PROVIDES THE INTERNAL COORDINATION FOR REALIZING YAPI KREDİ'S STRATEGY AND POLICIES IN RELATION TO SUSTAINABILITY.

Yapı Kredi:

has, since 2017, been a constituent of **FTSE4Good Emerging Index** maintained by the global index provider, FTSE Russel, a subsidiary of the London Stock Exchange Group, which measures the companies' ESG performances;

has been a constituent of **Borsa İstanbul (BIST) Sustainability Index** since its launch in 2014, and **BIST Corporate Governance Index** since 2008;

is one of the 56 companies that qualified to be included in the BIST Sustainability Index in the November 2019-October 2020 period;

reports to the CDP Climate Change Program since 2016 and the CDP Water Security Program since 2018. Additionally, it takes place among **CDP Turkey 2019 Water Leaders**.

#### SUSTAINABILITY COMMITTEE\*

##### Ahmet ÇİMENÖĞLU

Board Member/  
Co-Chair

##### Tolga AKKERMAN

Executive Vice President  
- Logistics and  
Procurement

##### Hakan ALP

Assistant General  
Manager - Human  
Resources and  
Organization

##### Albert ANGERSBACH

Assistant General  
Manager - Risk  
Management

##### Nurgün EYÜBOĞLU

Assistant General  
Manager - Corporate  
and Commercial Credits

##### Massimo FRANCESE

Assistant General  
Manager - Financial  
Planning and  
Administration (CFO)

##### Mehmet Erkan ÖZDEMİR

Assistant General  
Manager - Compliance  
and Internal Control

##### Arda ÖZTAŞKIN

Corporate  
Communications  
Director / Co-Chair

##### Kaan ŞAKUL

Executive Vice President  
- Corporate Banking  
Sales

##### Serkan ÜLGİN

Assistant General  
Manager - Retail  
Banking

\* The Sustainability Committee members Massimo Francese, Assistant General Manager responsible for Financial Planning and Administration (CFO), and Albert Angersbach, Assistant General Manager responsible for Risk Management (CRO), resigned from all their duties within the Bank as of 5 February 2020.

Demir Karaaslan, Assistant General Manager responsible for Retail Credits, was appointed as the Assistant General Manager (CFO) responsible for Financial Planning and Administration and as a member of the Sustainability Committee as of 20 March 2020.

## CODE OF ETHICS AND BUSINESS CONDUCT PRINCIPLES

YAPI KREDİ WAS NAMED AMONG TURKEY'S MOST ETHICAL COMPANIES FOR THE 8<sup>TH</sup> YEAR IN A ROW IN THE ETİKA TURKEY ETHICS AWARD COMPETITION ORGANIZED BY EDMER, CENTER FOR ETHICAL VALUES ASSOCIATION.

For the banking sector that is dominated by a highly competitive environment, it is important to address ethical values, anti-bribery, anti-corruption and human rights efforts within the framework of principles and policies. Yapı Kredi manages all of its business processes in line with its Code of Ethics and Business Conduct Principles.

The Bank has set up the communication channels whereby unacceptable behaviors of employees and third parties [suppliers, contractor real or legal persons] can be reported either anonymously or otherwise.

The Whistleblowing Channel is open for use by individuals from within and outside the Bank, and is managed confidentially in five main areas, namely internal audit, anti-bribery and anti-corruption, ethics, sanction violations and conflicts of interest. For notifying and reporting unacceptable behaviors within the context of the Code of Ethics and Business Conduct Principles,

the e-mail account etik@yapikredi.com.tr, letters or the phone number +90 212 339 73 53 can be used, and anonymous reporting is also possible. During 2019, 84 notifications were received by the whistleblowing channels, and all of them have been resolved.

### Code of Ethics and Business Conduct Principles Training

In a bid to ensure compliance with the Code of Ethics and Business Conduct Principles and to disseminate the culture of ethics, content and images prepared by the Bank within the scope of the Code of Ethics are e-mailed to all the employees at certain intervals. Additionally, messages about the subject are posted on the Bizler+ intranet platform which can be accessed by all employees. During 2019, 9,867 hours of training was given to 18,089 employees in an attempt to raise increased awareness of the Code of Ethics and Business Conduct Principles.

CARRYING OUT ALL OF ITS BUSINESS PROCESSES IN LINE WITH ITS CODE OF ETHICS AND BUSINESS CONDUCT PRINCIPLES, YAPI KREDİ ESTABLISHED COMMUNICATION CHANNELS FOR EMPLOYEES AND THIRD PARTIES ALLOWING ANONYMOUS REPORTING AS WELL.

# RISK MANAGEMENT

## RISK CULTURE

Risk Management Framework of Yapı Kredi consists of the components of risk governance, scope definition and risk identification, risk profile assessment, risk appetite determination, monitoring and reporting.

Risk management is important in order to capture opportunities by following up global trends, to differentiate in the competitive environment, and to improve economic, social and governance performances. Recognizing the role of risk management in lasting sustainable growth, Yapı Kredi takes steps to establish an effective risk management structure and risk culture.

Risk management is carried out by 107 employees working under the Audit Committee with the purpose of measuring, monitoring, reporting and keeping under control the potential risks that the Bank may be exposed to on stand-alone and consolidated bases, taking into consideration international regulatory framework and employing methods that are compliant with the national legislation. The highest-ranked manager responsible for risk management is the Assistant General Manager for Risk Management. Risk management is carried out in three different areas, namely credit risk, strategic risk control and market risk.

## Risk Culture at Yapı Kredi

The Bank's Risk Management Framework consists of the following components: risk governance, definition of scope and identification of risk, evaluation of the risk profile, determining the risk appetite, monitoring and reporting.


For effective risk management, the Bank trains experts from within its own organization, and makes investments to establish risk system infrastructures. The Bank carries out activities to create a risk management infrastructure that seeks not only to achieve regulatory compliance but also allows monitoring and measuring independently from executive functions, supports business and decision-making processes, and is integrated with day-to-day operations. Automated reporting and validations are conducted for effective analysis, monitoring and control mechanisms. The policies established, processes

defined, targets, responsibilities and regular trainings serve to broad-based adoption of the risk culture by the employee body.

In 2019, the Credit Policies that reflect the Bank's strategy with regard to asset quality, effective risk management and regulatory compliance were revised. The Credit Policies encompass the common standards, limitations and principles that cover all practices in relation to credit management and are applicable across the Bank.

Additionally, the Bank continued to regularly update and improve scoring systems. Against losses resulting from contingencies or deteriorations in the market, a forward-looking capital planning approach has been espoused so that the Bank can carry on with its operations. A risk appetite framework that is integrated with budgeting is created in order to maximize the operations while achieving the budget targets set for the Bank, and correct risk positions are followed up using this framework.

As part of the Bank's risk management activities, Liquidity Coverage Ratio Report is prepared and submitted to the BRSA within the scope of the "Regulation on Calculation of Liquidity Coverage Ratio for Banks" published by the BRSA in conformity with BASEL III guidelines. The Total Liquidity Coverage Ratio (LCR) of Yapı Kredi was well above the regulatory and internal limit and triggering levels. In parallel with the strategy to further strengthen the balance sheet composition approved and pursued by the Board of Directors in 2018, the ratio, which was 136% in 2018, was complemented to 190% on average in the last quarter of 2019.

 Risk definitions for the Bank and detailed information about the responsibilities of the Board of Directors and Committees in relation to risk management can be found on pages 99-100 of the [2019 Annual Report](#).

## RISK MANAGEMENT

### Risks

When identifying the Bank's risk exposure, the Bank's main fields of activity, competitive environment, regulatory framework, best practices by international banks, and cost-benefit analysis in relation to the measurement of the risk exposure are taken into consideration.

#### Credit Risk

Credit risk refers to possible loss that the Bank may be exposed to by reason of the borrower's failure to timely fulfill its contractual obligations in part or in whole.

Through credit risk management, Yapı Kredi aims to measure, mitigate and take necessary precautions against the credit risk with the help of efficient and smooth rating/scoring models, strategies and processes.

The primary policies pursued at Yapı Kredi for Credit Risk are as follows:

- Actively implementing the Credit Policies Guidelines for ensuring continuity of the shared risk management concept in place across the organization
- Allocating the credit portfolio to less risky sectors
- Avoiding excessive concentration in group risks and strictly adhering to existing legal limits
- Focusing on customers with better ratings
- Avoiding transactions that will give rise to high credit risk and reputational risk
- Managing the country risk in accordance with the set strategy, policy and implementation procedures
- Taking necessary measures to prevent new defaults in individual loans and SME loans

In addition to financial credit risks, investments' possible environmental and social risks such as environmental, human rights, ethical and corruption risks are also evaluated. New investments and projects to be provided with financing are addressed within the scope of the Environmental and Social Risk Assessment System.



Detailed information about the management of the loans disbursed with respect to environmental and social risks can be found in the section titled [Responsible Finance](#).

#### Counterparty Credit Risk (CCR)

Counterparty credit risk is the risk of the counterparty to a financial agreement to lapse into default before the due date specified in the agreement and its failure to fulfill its contractual payment obligations. Agreements subject to CCR are agreements covenanted individually between the parties, such as over-the-counter derivatives agreements and margin trading.

At Yapı Kredi, amounts involved in counterparty credit risk are calculated and monitored on a daily basis, using the most advanced methods stipulated by international regulations. The calculations take into account the current market conditions and various stress scenarios.

Risks subject to counterparty credit risk is ultimately a credit risk and is a part of the Bank's general credit risk monitoring/follow-up processes.

#### Credit Concentration Risk

Credit concentration risk refers to exposure to potential losses at a magnitude that might hinder the Bank from carrying on with its core activities in a healthy manner as a result of the concentration of risk in a certain loan or group.

WHEN IDENTIFYING RISKS AT YAPI KREDİ, THE BANK TAKES INTO CONSIDERATION ITS MAIN FIELDS OF ACTIVITY, THE COMPETITIVE ENVIRONMENT, REGULATORY FRAMEWORK, BEST PRACTICES OF INTERNATIONAL BANKS, AND COST-BENEFIT ASSESSMENT IN RELATION TO THE RISK EXPOSURE MEASUREMENT.

#### KEY STRATEGIES

The Credit Policies Guidelines are actively used to ensure the continuity of the shared risk management concept existing across the Bank.

### ***Residual Risk***

Residual risk refers to risks that arise when the credit risk mitigation techniques used turn out to be less effective than projected. For residual risk management at Yapı Kredi, adequate liquidity and validation of collateral valuation is monitored regularly at least once a year, and monitoring and revaluation frequency is increased in case of major changes in market conditions. In addition, collaterals are regularly updated by the Bank's units within this scope, and review rules are applied in line with the regulations and communiqués published by the BRSA.

### **Operational Risk and Reputational Risk**

Operational risk is defined as the risk of loss arising from errors, violations, interruptions or damages caused by internal processes, employees, systems or external events.

The Operational Risk Management Policy of Yapı Kredi that has been updated in 2019 covers the Group-wide principles and standards for the responsibilities of operational risk management unit and management structure; the strategy, policies and investments in relation to operational risk and IT risk control and management system practices; and the frequency, content and recipients of operational risk and IT risk reports.

Business Continuity Management Policy is intended to minimize the risks that might threaten the continuity of the Bank's operations, and to ensure resumption of critical products and services within acceptable times in case of possible interruptions. The policy is regularly updated and submitted for the approval of the Board of Directors.

Efforts for achieving compliance with Basel-II, advanced measurement approach are carried out under operational and reputational risk. In this regard, the Bank's operational risk losses and key risk indicators are monitored. Furthermore, scenario analyses are performed and risk-based insurance management activities are undertaken to mitigate risk. On a yearly basis, risk assessment of support services and new products is carried

out and a risk map of information technologies is prepared. Risk is mitigated by preparing business continuity plans for potential disasters such as the İstanbul earthquake, COVID-19 etc. on the basis of action plans. Risk culture and awareness are improved through the operational risk strategies and training programs developed. Operational risk, reputational risk and business continuity activities are presented to the Board of Directors on a quarterly basis via the Audit Committee.

The Reputational Risk Management Policy that went into effect in 2013 to define the set of principles and procedures for controlling, measuring and mitigating reputational risks was revised in 2019 in view of legal and internal standards. The policy focuses on reputational risk control system for establishing and maintaining effective reputational risk management, measuring, monitoring and reporting activities involved in defining, preventing reputational risks and restoring the Bank's reputation as well as identifying sensitive sectors and risky areas in conformity with credit policies and international standards.

### **Market Risk**

Market Risk refers to the risk exposure of the Bank's positions followed up in the trading portfolio, which the Bank aims to capitalize on in the short term actual and/or anticipated spreads, and the changes in interest rates, exchange rates, equity, commodity and volatility.

The term "position" refers to the positions the Bank takes in its own portfolio and those arising from the services rendered to the customers or from market-making. The trading portfolio covers the financial instruments exposed to short term price/interest rate fluctuations. Valid positions should be in conformity with the standards and principles stipulated in the Financial Markets Guidelines approved by the Board of Directors. The Financial Markets Guidelines are updated at least annually in line with the new regulatory and internal arrangements, the needs of business units and the annual budget, and provides guidance to market risk measurement, limiting and monitoring functions.

## RISK MANAGEMENT

Steering all treasury operations and market risk management functions of Yapı Kredi, the Financial Markets Guidelines set out the competencies and procedures in the relevant area, and also covers all detailed provisions governing these areas. The Guidelines are firstly implemented by the Treasury Management and Market Risk Management units; they are also pursued by all the other units in order to ensure an integrated risk management system. It is ensured that all positions carried by Yapı Kredi conform to the limits set out in the guidelines with respect to their magnitudes, retention times or the approvals obtained by other units of the Bank.

The limit system regarding Treasury Management and Market Risk activities covers all factors associated with market, credit, country and liquidity risks, and additionally, the organizational structure and the list of approved treasury products. The Market Risk Management Department is responsible for expanding and adapting the limit systems in line with their experiences, the needs of business units and the annual budget. The limits set are monitored by being compared to current limit utilizations through daily reports. The related reports also take into account the current market conditions, stress and scenario analyses. In cases of limit overruns, the actions set out in the Guidelines are taken. Regulatory and economic capital requirement is calculated and monitored regularly within the scope of market risk.

### Operating Risk

Operating risk is defined as unexpected changes in the opposite direction in the business volume and/or margins of Yapı Kredi, which do not stem from credit, market or operational risks. They can arise from significant worsening in market conditions, changes in competitive conditions or customer attitude, and they can also be affected by the changes in regulatory requirements. Operating risk is monitored, and reported to related units on a quarterly basis.

### Financial Investment Risk

These are risks arising from items originating from stock, which do not pertain to Yapı Kredi's balance sheet or which are not in trading accounts. Financial investment risk is used to determine the risk specific to shareholders' equity. Shareholders' equity portfolio basically consists of listed and unlisted stock, equity-backed derivatives, private equity, investment trust units, hedge funds and related private equity funds. Financial investment risk is monitored and reported to related units on a quarterly basis.

### Property Risk

Property risk is defined as potential losses arising from the fluctuations in the market value of the real estate portfolio of Yapı Kredi that also covers institutions with specific purposes. Properties that qualify as collaterals are not taken into account. Property risk is monitored and reported to related units on a quarterly basis.

### Liquidity Risk

Liquidity risk refers to the Bank's inability to fulfill its repayment obligations timely and completely with the assets at its disposal.

By nature, liquidity risk is a kind of risk that banks can be faced with suddenly and that might create dramatic outcomes for financial institutions. It needs to be monitored at high frequencies such as daily, weekly or monthly, and closely watched separately in terms of major currencies. Yapı Kredi measures liquidity risk as short-term and medium/long-term liquidity risk. Various stress tests are performed on liquidity risk in the light of statistical and scientific analyses and assumptions that are based on historic experiences. This ensures close monitoring of the status of the Bank's liquidity risk in the current situation and also in extraordinary market conditions; necessary information is provided to senior management, and the healthy composition of the Bank's balance sheet is maintained by taking timely and effective actions.

AT YAPI KREDİ, LIQUIDITY RISK IS MEASURED AS SHORT-TERM AND MEDIUM/LONG-TERM LIQUIDITY RISK. VARIOUS STRESS TESTS ARE ALSO PERFORMED ON THE LIQUIDITY RISK IN THE LIGHT OF STATISTICAL AND SCIENTIFIC ANALYSES AND ASSUMPTIONS BASED ON HISTORICAL EXPERIENCES.



#### **CURRENT RISK POLICY**

Yapı Kredi monitors liquidity risk based on its liquidity risk policy created in view of the latest local and international regulations and best practices.

The scope of the liquidity risk is composed of both on- and off-balance sheet items. The magnitude and the highly dynamic nature of its scope compel multi-faceted measurements.

Yapı Kredi monitors liquidity risk by taking into consideration the latest local and international regulations [e.g. Basel, EBA] and best practices, and through the dedicated liquidity risk policy that is reviewed and revised every year. In this framework, liquidity risk measurements are performed, a wide variety of limits are assigned ranging from risk appetite indicators to granular indicators, and the existing status of each metric as compared to its respective limits is regularly followed up and necessary actions are taken. Some of the actions taken include money swaps, coordination in deposit and credit movements, management of interbank transactions, repo and reverse repo transactions, and management of CBRT reserves in harmony with liquidity risk management. While doing these, the Bank's profitability and risks are considered together, and it is ensured that the Bank's liquidity risk is managed conservatively.

#### **Strategic Risk**

Strategic risk refers to the risk of loss that the Bank may suffer due to faulty commercial choices, misimplementation of commercial choices made, or failure to analyze or interpret the changes in the sector well.

Yapı Kredi provides accurate and healthy strategic risk management via corporate functions and management committees. In this process, the Board of Directors sets up and supervises all necessary control mechanisms and processes to successfully implement targets and strategies.

#### **Interest Rate Risk**

Interest rate risk is the risk of loss that may result in the Bank's capital or revenues due to the movements in interest rates. Changes in interest rates make an effect by altering the underlying values of the Bank's assets, liabilities and off-balance sheet items and/or economic values of future cash flows [and in some cases, the cash flows themselves].

Interest rate risk management at Yapı Kredi is intended to protect the financial strength of the balance sheet against the possible adverse effects of the changes in interest rates upon net interest income and economic value. Interest rate risk management is ensured by an adequate assets/liabilities composition that will be compliant with the Bank's Risk Appetite Framework [RAF], revenues and economic value sensitivity.

Created in view of the latest local and international regulations and best practices, the Bank's interest rate risk policy is reviewed and revised at least once a year. In addition, interest rate risk measurements are performed periodically through metrics and limits determined by taking into account the current market conditions and stress scenarios, and reported to the senior management.

In order to mitigate interest rate risk or to eliminate limit overruns at Yapı Kredi, the Bank implements hedge accounting, which is compliant with the International Financial Reporting Standards [IFRS] and allows application of specific accounting procedures for derivative products.

#### **Country and Transfer Risk**

Country risk refers to the potential risk of loss for the Bank that may result from failure of, or avoidance by, the borrowers in a country to fulfill their external liabilities due to the volatilities in the economic, financial, social and/or political circumstances.

In order to manage country risk, the Bank allocates a country limit at a level that will accommodate the total limit of all banks/countries in a country in favor of which a limit has been allocated. The main banking system monitors the country risk and limit, and limit risk controls are performed in connection therewith.

Transfer risk refers to the potential risk of loss for the Bank that may result from the borrower's inability to convert the local currency into the foreign currency payable to the Bank and/or its failure to make the payment in the foreign currency. This risk usually realizes because of the foreign currency scarcity that results from

## RISK MANAGEMENT

the FC restriction measures adopted by the government of the borrower's country. Loans in a foreign currency are followed up in the Bank's concentration reports, and sensitivity analyses are shared with the senior management on a monthly basis.

### Anti-Bribery and Anti-Corruption Risk

Banks are institutions that rely on the trust factor in their operations. Increased competitive environment and digitalization pressure banks to improve their efficiencies, to perform more profitable transactions at lower costs and using more productive workforce. This exposes the banks to various risks including ethics, anti-bribery and anti-corruption.


At Yapı Kredi, business processes are evaluated against bribery and corruption risks. Areas entailing corruption risk are identified, and analyzed according to risk assessment methodology. Giving/receiving gifts and entertainment offers made/received, sponsorships and donations, outsourced tasks, business offers, mergers, acquisitions, major investments and relations with civil servants are defined as activities entailing high corruption risk. Operations undergo assessment at certain intervals, work is carried out to identify possible risks and business processes are updated when necessary. Assessment results are reported to the Audit Committee at certain intervals.

Disciplinary punishment up to and including termination of the employment contract is given in the event that the Anti-Bribery and Anti-Corruption Policy is violated. In the reporting period, no confirmed bribery incidents were reported through the whistleblowing channels set up within the scope of the combat against bribery and corruption. No disciplinary punishments were given in the reporting period on account of bribery or corruption.

During 2019, 17,917 employees received 5,439 hours of training aimed at raising increased

awareness of employees in relation to the combat against bribery and corruption.


Within the scope of the anti-bribery and anti-corruption program, third parties are demanded to conform to related Yapı Kredi policies; also, their employees are demanded to internalize the principles contained in these policies, and to carry out their activities in accordance with those principles. By carrying out training and awareness initiatives in this area, reviews are performed to determine the pre-agreement status with the third parties, and related provisions are incorporated in the agreements executed with third parties.

 You can access Yapı Kredi Anti-Bribery and Anti-Corruption Policy [here](#).

### Environmental (Climate and Water) Risks

Recognizing the transformative power of financing on the real sector, Yapı Kredi manages all of its environmental impact including water risks stemming from its lending activities within the scope of the Environmental and Social Risk Assessment (ESRA) System. Accordingly, all new investment and project finance loan requests and project advisory services, which are in the scope of corporate and commercial banking and have an investment amount of USD 10 million and above, are subject to ESRA System.

The fight against climate change and water management are addressed in the Bank's Reputational Risk Policy and Lending Policy. Reputational risk management concerning risky areas and sensitive sectors (companies and establishments with a high environmental impact, nuclear energy, mining and thermal power plant infrastructure etc.) are outlined in these policies.

 Detailed information about climate and water risks can be found in the section titled [Responsible Finance](#).

DURING 2019, 17,917 EMPLOYEES RECEIVED 5,439 HOURS OF TRAINING AIMED AT RAISING INCREASED AWARENESS OF THE COMBAT AGAINST BRIBERY AND CORRUPTION AMONG EMPLOYEES.

## Human Rights Risks

Tackling risks related to all forms of modern slavery including but not limited to child labor, forced labor and human trafficking within the scope of human rights risks and managing them in the most effective manner possible, Yapi Kredi addresses human rights risks within the framework of the Human Rights Statement it has released. Yapi Kredi Human Rights Statement has been prepared based on the Universal Declaration of Human Rights, Fundamental Conventions of the International Labor Organization (ILO) and the United Nations Guiding Principles on Business and Human Rights, as well as national legislation and internal policies.

Spreading its sensitivity in relation to human rights along the entire value chain, the Bank incorporates an article requiring compliance with the Universal Declaration of Human Rights, Fundamental Conventions of the ILO and Yapi Kredi Human Rights Statement in the agreements made with its suppliers. In addition, suppliers are urged to operate responsibly in relation to environmental and social rights including human rights within the scope of Yapi Kredi Responsible Procurement Policy.

Awareness training for employees regarding human rights continued across the Bank also during the reporting period. In 2019, 590 employees received 177 hours of training designed to increase awareness of human rights. In 2019, 3 cases concerning human rights (unfair remuneration, work-life balance and similar matters) were reported to the Ask HR platform, necessary actions were taken for all, and the issues reported were resolved.



Yapi Kredi Human Rights Statement can be found [here](#).



Yapi Kredi Responsible Procurement Policy can be found [here](#).

## Technology Risks and Opportunities

One of the most intensive investors in technology, the banking sector is also among the ones, which are exposed to the risks stemming from technology and digitalization, and which take advantage of opportunities.

The opportunities internet and mobile banking offer to banks and customers from the standpoint of banks can be defined as the capability to offer products at lower costs, to be accessible 24/7 independent from time and place, to reduce transaction costs in branches and to constantly increase reduced costs as the number of customers using internet/mobile banking increases. From the standpoint of customers, the opportunities include the relatively faster and easier accessibility of the system used, the time and cost saving the system provides, and increased financial access.

Information technology (IT) risks are among the risks of the highest importance for the Bank. By establishing IT risk management policies, the Bank makes sure that IT risks are measured, monitored and reported. This helps define the threats against the Bank's critical assets and processes, weaknesses are identified and kept under control, thus enabling prevention of unexpected threats against the Bank and mitigation of losses.

Policies are reviewed every year, revised when necessary and presented for the approval of the Board of Directors. In addition, the IT risk map and action plans are created and Information and Communication Technologies risk assessment is performed. There is a Business Continuity Management Policy in place at the Bank which is designed to ensure continuity of operations and to mitigate associated risks. In addition to that policy, necessary practices for business continuity are introduced through Contingency Action, Crisis Management and Business Recovery Plans.

Furthermore, losses resulting from external fraud are analyzed in detail by the related business unit and internal systems. To this end, a number of developments at the Bank have been completed for monitoring and preventing fraud. As part of the activities to combat external fraud, customers' suspicious transactions are monitored 24/7. In order to prevent possible incidents of fraud, regular analyses are performed using attempted frauds and new fraud trends. New products/ services are followed up and supervision systems are updated so as to respond to current fraud trends.







# RESPONSIBLE GROWTH

HAVING EMBRACED A RESPONSIBLE GROWTH APPROACH THAT CREATES VALUE FOR ALL ITS STAKEHOLDERS, YAPI KREDİ EFFECTIVELY MANAGES THE ENVIRONMENTAL AND SOCIAL IMPACTS ARISING FROM ITS OWN OPERATIONS AND THE POTENTIAL RISKS FOR THE ENVIRONMENT AND THE SOCIETY ASSOCIATED WITH THE PROJECTS FINANCED.

## Environmental and Social Risk Assessment

In 2019, 19 projects were evaluated within the scope of the Environmental and Social Risk Assessment System.

## Social investments

Yapi Kredi carries out social investments in various areas from education to culture and art, from environment to economic development.

## RESPONSIBLE FINANCE

With total assets over TL 4 trillion and a lending volume of TL 2.6 trillion, the banking sector in Turkey is one of the crucial strengths of the national economy. Yapı Kredi, taking the far-reaching influence of the sector into consideration, embraces a responsible growth approach in its operations, which will increase positive impacts for all of its stakeholders and create value for all the segments. Recognizing the huge responsibility that falls upon the finance sector for devising solutions for the global environmental and social issues, the Bank effectively manages the environmental and social impacts arising from its own operations and the potential risks for the environment and the society associated with the projects financed.

Being the third largest private bank in Turkey, Yapı Kredi works to achieve growth enabled by solid steps and to contribute to the economy. The Bank's contribution to the Turkish economy through the loans extended was worth TL 319 billion in 2019.

Yapı Kredi espouses the responsible finance approach in order to support the combat against environmental problems including the climate crisis and to contribute to the Turkey's sustainable development. This concept is underpinned by the Environmental and Social Risk Assessment (ESRA) System that was revised in 2019 and the Bank's products and services focused on sustainable finance.

Financial institutions have an important role in providing the necessary resources to achieve the UN Sustainable Development Goals, and the Paris Agreement that provides a framework for combating climate change. To this end, Yapı Kredi has become a founding signatory of the UN Principles for Responsible Banking launched in 2019 by UNEP FI.



Detailed information about the Principles can be found [here](#).


YAPI KREDİ EFFECTIVELY MANAGES THE ENVIRONMENTAL AND SOCIAL IMPACTS ARISING FROM ITS OWN OPERATIONS AND THE POTENTIAL RISKS FOR THE ENVIRONMENT AND THE SOCIETY ASSOCIATED WITH THE FINANCED PROJECTS. THE BANK'S CONTRIBUTION TO THE TURKISH ECONOMY THROUGH THE LOANS EXTENDED WAS WORTH TL 319 BILLION IN 2019.

## RESPONSIBLE FINANCE APPROACH

Starting from 2019, all new investments, project finance loans and projects entailing financial advisory services falling under corporate and commercial loans and having an investment amount of USD 10 million and above are assessed within the scope of the ESRA System.

## Environmental and Social Risk Assessment (ESRA) System

For identifying, preventing or minimizing the environmental and social risks involved in projects that will be financed, Yapı Kredi implements the ESRA System that is based on legal requirements and the International Finance Corporation's (IFC) Environmental and Social Performance Standards. As per ESRA, initially all loan requests received by the Bank are evaluated with respect to the Bank's lending policies, Environmental and Social Policy, and the Exclusion List appended to the latter. Under no circumstances, financing is provided to activities that do not comply with these policies or are included in the Exclusion List.

 Yapı Kredi Environmental and Social Policy and the Exclusion List can be found [here](#).

In 2019, Yapı Kredi expanded the scope of the ESRA System that has been applied since 2017 to all investments and project financing loan requests with maturity at least 3 years and a loan amount of USD 20 million and above. Accordingly, starting from 2019, all new investments, project finance loans and projects entailing financial advisory services falling under corporate and commercial loans and having an investment amount of USD 10 million and above are assessed within the scope of the ESRA System. In addition, the Bank, in 2019, started to perform environmental and social risk assessment for thermal power plant projects, for which restructuring of existing loans was requested.


During 2019, investment and project finance loan requests with an investment amount of USD 10 million and above, which were compliant with the Bank's policies and were not included in the Exclusion List, were evaluated in terms of environmental and social aspects according to the Procedure for Assessment of Environmental and Social Risks of Credit Activities. Based on the outcome, the relevant risk category was determined for a given project, upon which corresponding action and monitoring plans were created.

**Category A:** Business activities that have an adverse environmental or social risk and/or impact that is diverse, irreversible or unforeseen, and of significant severity

**Category B:** Business activities that have an adverse environmental or social risk and/or impact that is limited, generally localized to the project area, largely reversible and already subject to mitigation measures

**Category C:** Business activities that have minimal or no environmental or social risk and/or impact

Depending on the classification, actions to be taken and monitoring activities are determined for projects in Categories A and B.

 Further details about the ESRA System can be found [here](#).

## RESPONSIBLE FINANCE

Each year, Yapi Kredi reports the implementation results in connection with the ESRA System, and discloses them within one year following the end of the related operating year. The results are presented every year during the Sustainability Committee Meeting. Within this framework, the reports provide:

- The number of projects directly rejected without undergoing the ESRA System on account of noncompliance with the Environmental and Social Policy and the related Exclusion List,
- The number of projects assessed within the scope of the System, total credit line allocated, and the number of projects that received first disbursements, and
- Risk classification of the projects assessed within the scope of the System.

During 2019, 19 projects were subjected to the ESRA System; out of the projects assessed, 17 were

allocated a total credit line of USD 578.1 million.

In 2019, no projects were rejected on account of noncompliance with the Environmental and Social Policy or being included in the Exclusion List.

Projects that were evaluated within the scope of the ESRA System during the reporting period were categorized as follows:

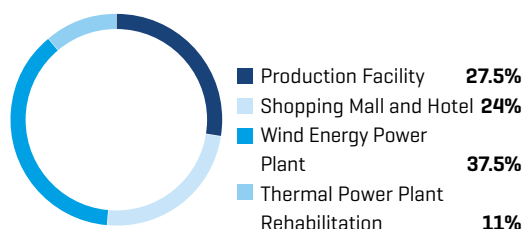
Risk Categories Based on Customers	Total Projects Assessed
A	7
B	12
C	0

Risk Categories Based on Projects	Total Projects Assessed
A	8
B	11
C	0

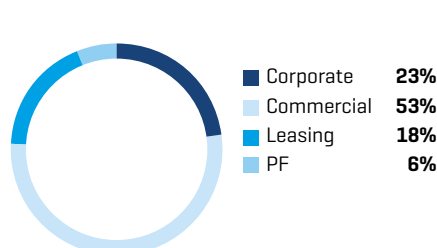
### Credit Allocated Projects Within the Context of ESRA System in 2019

Sectoral Breakdown	Amount of Credit Allocated (USD million)
<b>Construction</b>	
Production Facility	159.1
Shopping Mall and Hotel	139
<b>Renewable Energy</b>	
Wind Energy Power Plant	216.7
<b>Thermal Power Plant Rehabilitation</b>	63.3
<b>Total</b>	<b>578.1</b>

### Sectoral breakdown of projects within the context of ESRA System [%]



### Segmental breakdown of projects within the context of ESRA System [%]





### Sustainable Products and Services

The other area that Yapı Kredi focuses on in keeping with the responsible finance approach is sustainable products and services. It is critical for the banking sector to effectively manage climate change-related risks and to take advantage of

emerging opportunities. The Bank prioritizes offering “climate-oriented products” that support increasing the renewable energy capacity and energy efficiency in order to help Turkey’s transition to a low-carbon economy.

## THE FIRST GREEN BOND ISSUANCE

Yapı Kredi issued its first green bond by early 2020 in keeping with its sustainable and innovative product development target. The proceeds generated on the issue in the amount of USD 50 million with a maturity of 5 years will be used to finance renewable energy projects. With its green bond issuance, the Bank also supports the Sustainable Development Goals; Climate Action, and Affordable and Clean Energy.

During 2019, approximately USD 217 million loans were allocated to renewable energy projects with a total installed capacity of 203 MW.

### Renewable Energy Projects Financed in 2019

Type of Project/Investment		Amount of Loan Allocated [USD million]	Installed Capacity [MW]
Project 1	Wind Energy Power Plant	216.7	39.6
Project 2			
Project 3			
Project 4			60
Project 5			103.5

Yapı Kredi cooperated with Turkey Residential Energy Efficiency Financing Facility (TuREEFF) and supported the SMEs that invest in energy efficiency. The loans disbursed amounted to TL 83 million under TuREEFF, a facility developed by the EBRD and supported by the Clean Technology Fund (CTF) and the EU. In addition, TL 50 million in loans has been disbursed out of the fund that promotes residential energy efficiency.

## SOCIAL CONTRIBUTION

In keeping with its responsible growth approach, Yapı Kredi carries out social investments in various areas from education to culture and art, from environment to economic development. Devising social responsibility projects that respond to the society's needs and expectations, the Bank ensures active involvement of stakeholders, and extends support to the social activities of Koç Holding. In addition, the Bank collaborates with public agencies, NGOs and universities in order to extend the reach of the projects to large segments of the society.

In 2019, the investments of Yapı Kredi for cultural and artistic events, corporate social responsibility activities, and charitable donations and aids amounted to TL 28.4 million.

### Enabled Banking

Yapı Kredi has been implementing its Enabled Banking Program since 2008 in order to give easier access to banking services to individuals with disabilities. Under the program that was the first of its kind in the sector, the Bank introduces pioneering practices in ATM transactions and on digital channels.

At Yapı Kredi, ATMs are being designed according to physically- and visually-impaired customers. Digital channels, on the other hand, feature the voice command system for visually-impaired customers and online chat application for hearing-impaired customers. Customers with disabilities perform their transactions free-of-charge at ATMs, which are open to all customers, and have priority when they call the Customer Relations Center.

Within the scope of the project co-developed by Yapı Kredi Publications (YKY) and Assistive Technology and Education Laboratory for Individuals with Visual Disabilities (GETEM), 573 books were converted into audio books and made digitally available as of 2019.



Yapı Kredi Enabled Banking microsite can be found [here](#).

IN 2019, YAPI KREDİ'S OUTLAYS IN CULTURAL AND ARTISTIC ACTIVITIES, CORPORATE SOCIAL RESPONSIBILITY INITIATIVES, CHARITABLE DONATIONS AND AIDS AMOUNTED TO TL 28.4 MILLION.



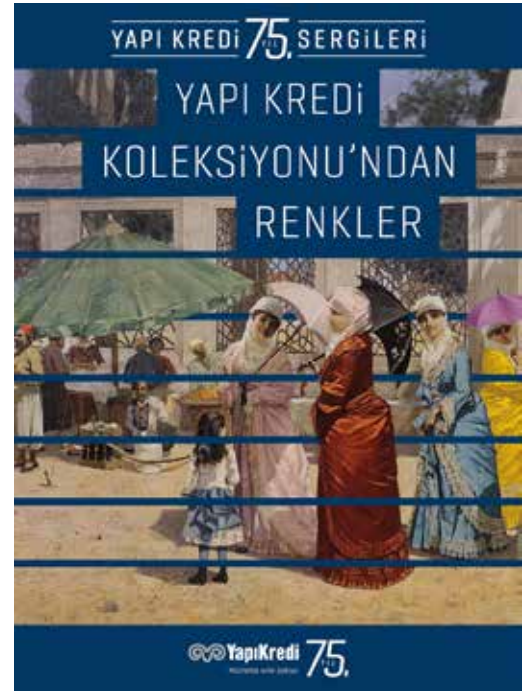
## Culture & Art

With its vision and initiatives to become the Bank of culture and art, Yapı Kredi pioneers the banking sector, and supports the society's cultural and artistic productivity through its projects and services.

A subsidiary of Yapı Kredi, Yapı Kredi Culture Arts and Publishing [YKKSŞ] has been a solid contributor to social and cultural progress through its publications and the cultural activities and exhibitions it has organized since 1984. Yapı Kredi Publications [YKY] published 1,104 titles in 2019, 261 of them new, for a total of over 6 million books. Having reached more than 150 thousand art lovers through the events organized in its halls during 2019, Yapı Kredi Culture and Art Center holds an important place in Turkey's cultural and artistic scene. Throughout the year, the Center brought together approximately 70 thousand students, teachers, librarians, authors and editors within the scope of 125 school events.

Yapı Kredi Afife Theater Awards has been organized each year since 1997 to commemorate Afife Jale, the first Turkish actress to appear on stage, and to support the Turkish theater. A grand jury of 33 members, doyens of theater and individuals who have dedicated their lives to this art form, transparently voted on all the plays they watched during the season and granted awards in 15 categories including 11 main and 4 special awards.

Yapı Kredi organized various events to celebrate its 75<sup>th</sup> year. Through its "75<sup>th</sup> Year Concerts", the Bank contributed to bringing worldwide leading artists, bands and musicals on stage in Turkey throughout 2019. Additionally, art lovers were treated to an exhibition program packed with photography, painting and sculpture exhibitions.

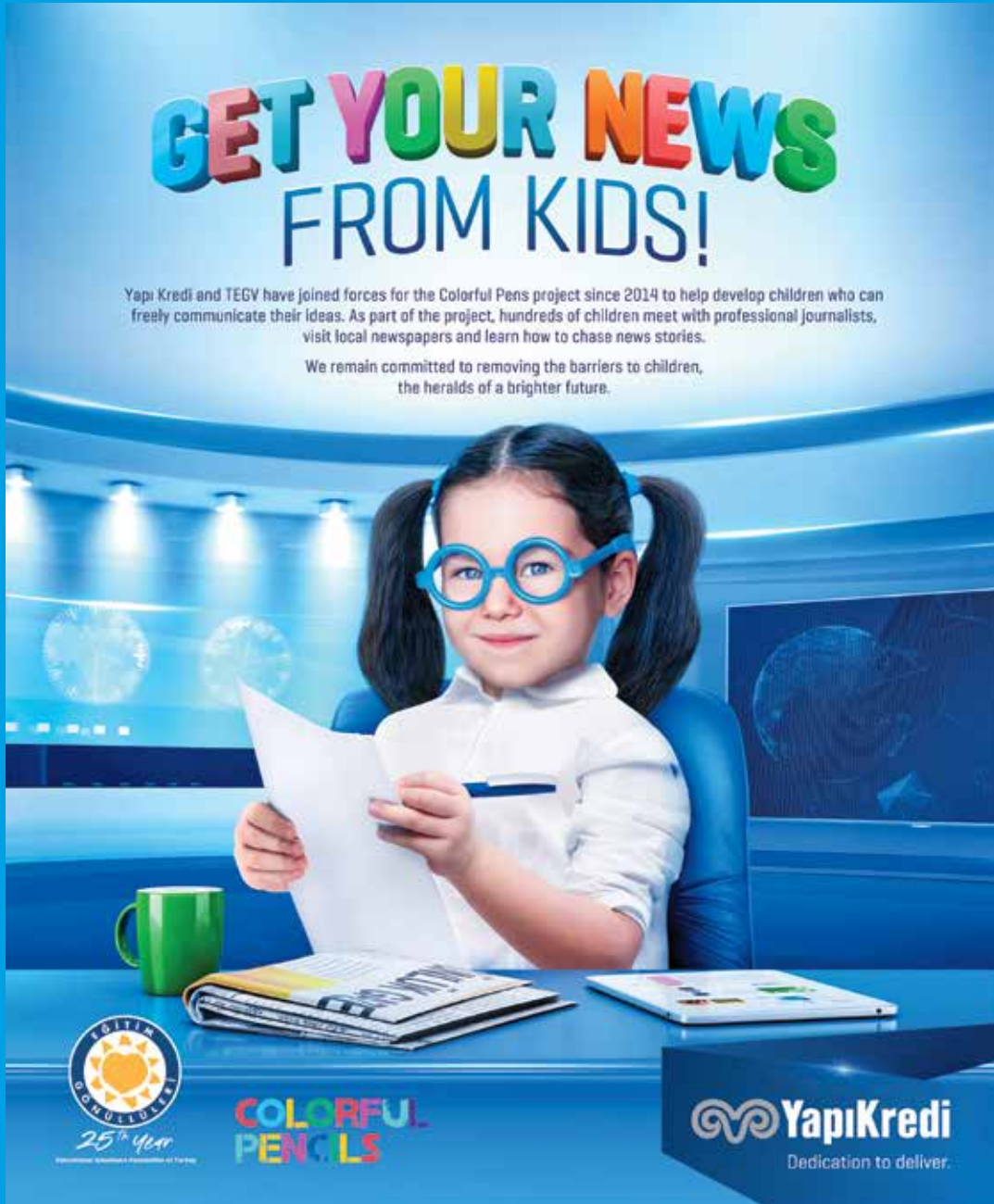



## SOCIAL CONTRIBUTION


# GET YOUR NEWS FROM KIDS!

Yapı Kredi and TEGV have joined forces for the Colorful Pens project since 2014 to help develop children who can freely communicate their ideas. As part of the project, hundreds of children meet with professional journalists, visit local newspapers and learn how to chase news stories.

We remain committed to removing the barriers to children, the heralds of a brighter future.



 **COLORFUL PENCILS**

 **YapıKredi**  
Dedication to deliver.

# NO LIMITS TO EDUCATION

## *I Read, I Play*

Since 2006, Yapı Kredi has been conducting the “I Read, I Play” project in collaboration with the Educational Volunteers Foundation of Turkey [TEGV] to give elementary school children that do not have access to modern educational means the chance to benefit from extracurricular educational activities. The project is designed to instill the habit of listening and reading in primary school children, to equip them with constructive and creative thinking skills, and discussion and oral expression skills. More than 9 thousand volunteers at TEGV’s activity points around the country are implementing the project. The project reached 313 thousand children by the end of 2019.

## *Colorful Pens*

As an ancillary leg of the “I Read, I Play” project, Colorful Pens initiative equips children with reading, writing and researching skills, while also teaching them about the basics of media literacy and journalism. Within the scope of the Colorful Pens project that was participated by 48 journalists from local and national press, 89 volunteers and 494 children as at year-end 2019, 45 newspapers were published at the education points of TEGV from 2013 through 2019.



Colorful Pens bulletins archive can be found at <http://www.renklikalemler.org>.

## *Science Migration to Anatolia*

In 2018, Yapı Kredi began extending support to the social development project “Science Migration to Anatolia” devised by the Young Guru Academy [YGA] with the aim of popularizing science among children. The project, which also included Yapı Kredi Volunteers, reached 5 thousand children in 50 provinces within three years.

## *TOG BAZAAR in Cooperation with the Community Volunteers Foundation [TOG]*

In order to attract attention to social responsibility initiatives carried out by young Community Volunteers, Yapı Kredi has been sponsoring TOG BAZAAR with its Crystal card since 2012. With the funds raised at the TOG BAZAAR organized in 2019 and visited by over 3 thousand people, social responsibility education and projects of 1,619 young people were supported.

## *Donating to Education via Vadaa*

The much-liked mascot of Yapı Kredi World, Vadaa soft toy has been put on sale at Yapı Kredi Publications Bookstores, TEGV online store and [dr.com.tr](http://dr.com.tr). The revenues derived on the sales are donated to TEGV for use in the education of children.

## SOCIAL CONTRIBUTION

### Academy

#### Yapı Kredi Vocational and Technical Anatolian High School

Located in Çayırova, Kocaeli, Yapı Kredi Vocational and Technical Anatolian High School began to offer education in the 2008-2009 academic year, and has been giving graduates every year since 2012. Today, over 500 students pursue their education in Child Development and Education, Graphics and Photography, Information Technologies, Food and Beverage Services and Office Management departments of the high school. In addition, in 2019, 20 Yapı Kredi Vocational and Technical Anatolian High School students benefited from the educational achievement scholarship initiated in 2012.

#### Yapı Kredi Professorship in Economic Research

Yapı Kredi established the Yapı Kredi Professorship in Economic Research at Koç University to eliminate the borders between the finance sector and the universities. Yapı Kredi Professorship in Economic Research targets to provide a joint working platform for the academicians working in the fields of economics and finance, and private sector professionals with the ultimate goal of

contributing to the sustainable development of Turkey. Yapı Kredi Professor of Economic Research is Prof. Dr. Selva Demiralp, faculty member of Koç University College of Administrative Sciences and Economics.

#### Anatolian Scholars

Having sustained its support to Koç University's Anatolian Scholarship Program, which was founded in 2011, Yapı Kredi supported 11 scholars in 2019.

### Gender Equality

#### Mardin İpekyolu Guesthouse Project

In cooperation with the Foundation for the Support of Women's Work [KEDV], Yapı Kredi extends support to help improve the capacities of women's cooperatives and to economically and socially empower women with low income. In this context, the Bank contributes to the Mardin İpekyolu Guesthouse project together with KEDV, thus supporting the participation of women in economic life as well as regional development.

YAPI KREDİ PROFESSORSHIP IN ECONOMIC RESEARCH TARGETS TO PROVIDE A JOINT WORKING PLATFORM FOR THE ACADEMICIANS WORKING IN THE FIELDS OF ECONOMICS AND FINANCE AND PRIVATE SECTOR PROFESSIONALS, WITH THE ULTIMATE GOAL OF CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT OF TURKEY.



## PROTECTING THE WILDLIFE

Yapı Kredi has been extending support to the WWF-Turkey's "Turkey's Life Small Support Program" since 2014.

## Environment

### Turkey's Life Small Grant Program

Yapı Kredi has been supporting WWF-Turkey's "Turkey's Life Small Grant Program" since 2014 in a bid to raise awareness of biodiversity in Turkey and to protect the natural heritage. In this context, support is extended to wildlife protection projects of local non-governmental organizations in Anatolia. In the IV. grant term of the program with Yapı Kredi as its main sponsor, support will be extended to projects for protecting primitive hive beekeeping in Hemşin, Rize; otters in Fethiye, Muğla; and imperial eagles in Thrace and Bolu.

### Plastic Hunters İstanbul Project

During International Brand Conference İstanbul 2019, Yapı Kredi and WWF-Turkey co-launched the "Plastic Hunters İstanbul Project" in an effort to reduce İstanbul's plastic waste and to regain used plastics for recycling. Under the campaign organized through World Mobile for the project targeting to promote recycling of plastic waste, the Bank has intermediated the donations of the first 50,000 qualifying World Mobile cardholders participating in the campaign to the Plastic Hunters İstanbul Project.



## ENVIRONMENTAL IMPACT

Considering its direct and indirect impacts, the finance sector's management of its environmental impact is vital. The sector generates direct impact by way of its activities and operations, and indirect impact through the financing provided. Therefore, direct and indirect impacts must be monitored and managed.

Yapı Kredi monitors its indirect and direct environmental performance through targets and improvements. The Bank's targets in relation to its Greenhouse Gas (GHG) emission reduction, energy efficiency and water efficiency projects are classified under three categories: annual, 5-year and 10-year.

In 2016, the Environmental Management System (EMS) was launched in the Bank's Head Office Buildings Yapı Kredi Plaza D Block and Yapı Kredi Banking Base facilities, and ISO 14001:2015 Environmental Management System (EMS) Certification was received for these buildings. Since 2018, the EMS was expanded to cover the Bank's subsidiaries, namely; Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi-Koray Real Estate Investment Trust, Yapı Kredi Culture Arts and Publishing, Yapı Kredi Asset Management and Yapı Kredi Invest. The buildings, in which approximately 30% of the Bank's employees operate, hold ISO 14001 Environmental Management System Certificate.

During the reporting period, the Bank's investments, outlays and donations for protecting the environment totaled TL 1.4 million. The Bank achieved full compliance with the Environmental

Law and ancillary regulations, and received no administrative fines within this scope in 2019.

### GHG Emissions

Global climate crisis represents a high risk for the banking sector as it does for every other industry. The main impact area of the banking sector arises in connection with the projects financed within the scope of lending activities. Yapı Kredi manages its indirect environmental impact in line with its Environmental and Social Risk Assessment System, and prepares the necessary action plans, as and when necessary.

In addition, since 2011, Yapı Kredi has been calculating its GHG emissions (Scope 1 and Scope 2) of the Head Office (Yapı Kredi Plaza D Block, Banking Base) and facility buildings (Bayramoğlu Training Building, Yeniköy Koru Building, Darıca Administrative and Archive Buildings) in accordance with ISO 14064-1 GHG Emissions Reporting Standard, verified and certified by independent accredited institutions. Through follow-ups, the Bank makes improvements for reducing GHG emissions. In this vein, efforts are in progress for expanding the ISO 14064-1 certification so as to cover all buildings including branches and subsidiaries. Furthermore, emissions resulting from commuter buses for employees, business trip flights and paper consumption (Scope 3) are also being included in the reporting scope of Yapı Kredi, and limited assurance statement is received for these data from an independent audit firm every year.

**MONITORING ITS INDIRECT AND DIRECT ENVIRONMENTAL PERFORMANCE THROUGH TARGETS AND IMPROVEMENTS, YAPI KREDİ HAS SET OBJECTIVES IN RELATION TO ITS GHG EMISSION REDUCTION, ENERGY EFFICIENCY AND WATER EFFICIENCY PROJECTS WHICH ARE DIVIDED INTO THREE CATEGORIES: ANNUAL, FIVE-YEAR AND TEN-YEAR.**



#### TL 1.4 MILLION

During the reporting period, Yapı Kredi's investments, outlays and donations for protecting the environment totaled TL 1.4 million.

During 2019, as part of the efforts to combat the global climate crisis, Yapı Kredi supplied the electricity need of the Bank's Head Office Buildings from renewable resources, specifically of Yapı Kredi Plaza Block D and the Banking Base by 100% and 15%, respectively. All in all, 10,142 MWh electricity has been supplied from renewable sources, which produced a CO<sub>2</sub>e reduction of 4,711 tons.

In the years ahead, efforts will be ongoing for implementation of emission reduction measures by way of upgrading to energy-efficient lighting systems and use of energy-efficient electrical and electronic equipment, and for obtaining energy from renewables.

Since 2016, Yapı Kredi transparently discloses its environmental strategy, performance and targets with its stakeholders within the scope of the CDP Climate Change Program. Having successfully raised its score from C to B in CDP 2019 Climate Change Program, the Bank was one of the highest-scorers in the Turkish banking sector.

#### Water Management

Yapı Kredi closely monitors water consumption and introduces various projects to reduce the same. In 2019, the Bank obtained ISO 14046 Direct Water Footprint Certificate for its Head

Offices and facility buildings, and has become the first financial institution satisfying this standard in Turkey. Hence, the Bank has internationally endorsed the effective management system it has in place within the frame of its targets for efficient use of water resources and reduction of wastewater, and added speed to its efforts in this direction.

The Bank carried on with its efforts for efficient and effective management of water resources in 2019. In this context, automatic faucets were installed at the Head Office buildings. At Darıca Administrative and Archive buildings, well water, rainwater and drainage water from buildings were collected and used for landscape irrigation. The project served to replacement of municipal water by rainwater and well water for landscape irrigation purposes.

Since 2018, Yapı Kredi has been reporting its water security and management strategy, performance and targets within the scope of CDP Water Program. The Bank has raised its CDP 2019 Water Program score from B to A-, obtaining the highest score in the Turkish finance sector, and was awarded with CDP Turkey 2019 Water Leadership award.

## YAPI KREDİ HAS BECOME CDP TURKEY 2019 WATER LEADER

## 4,711 TONS CO<sub>2</sub>e

In 2019, Yapı Kredi supplied 10,142 MWh electricity from renewable resources, and secured a CO<sub>2</sub>e reduction of 4,711 tons.

ENVIRONMENTAL IMPACT

Waste Management

Yapı Kredi attaches great importance to management of natural resources, and develops programs and projects for reducing waste generation and recycling the waste generated.

The Bank has been running a recycling project since 2008 to support the sustainability of the scarce natural resources. In this context, recycling containers have been replaced with new waste bins for better sorting of waste at the Bank's Head Office building in line with the Zero Waste Regulation.

Yapı Kredi gives great importance to recycling its hazardous waste resulting from its operations. In this framework, 390 tons of hazardous and 1,436 tons of non-hazardous waste have been recycled for a total of 1,826 tons of waste.

Innovative investments and digital processes offered to employees and customers at Yapı Kredi help eliminate the paper used for numerous transactions. Thanks to the mobile application introduced as part of the Paperless Office Project, paper consumption was reduced rapidly and 80% of sales processes were transformed into paperless format in 2019. "Digital product sales service model at branches" implemented by Yapı Kredi resulted in 34 million sheets of paper saved

as of year-end 2019. Consumption decreased by 33.5% thanks to the initiatives carried out in line with the goal of reducing consumption of A4 paper across the Bank, which takes place among the Bank's environmental targets.

During 2019, more than 1 million kilograms of paper and paper packaging, more than 12 thousand kilograms of plastic and plastic packaging, more than 13 thousand kilograms of glass and more than 35 thousand kilograms of metal were collected for recycling across the Bank. The waste collected prevented the release of more than 199,527 tons of GHG emissions, saved 30,885 cubic meters of water and 18,752 trees.

Valuing its employees' contribution to improve its environmental performance, Yapı Kredi carries on with its investments in this area. In 2019, the Bank offered 801 hours of environmental training, which also addressed ISO 14001 Environmental Management System and climate change, to 3,003 Yapı Kredi employees and 684 hours to 342 subcontractors.

Drills are being carried out at the Head Office buildings within the scope of Environmental Emergencies since 2017, thus refreshing the proactive methods that need to be implemented at the time of an environmental spillage or environmental accident.

AT YAPI KREDİ, WHERE PAPER USE FOR NUMEROUS TRANSACTIONS WAS ELIMINATED THANKS TO INNOVATIVE INVESTMENTS AND DIGITAL PROCESSES, THE MOBILE APPLICATION INTRODUCED AS PART OF THE PAPERLESS OFFICE PROJECT SERVED TO REDUCE PAPER CONSUMPTION RAPIDLY.

ENVIRONMENTAL TRAINING

801 hours of environmental training was offered to 3,003 Yapı Kredi employees and 684 hours to 342 subcontractors.

33.5%

A4 paper consumption decreased by 33.5% thanks to the initiatives carried out.

## Yapı Kredi Environmental Targets

2019 Environmental Target	Status
Reduction of water consumption at the Head Office buildings	Water consumption was reduced by 5.63% in total at the Head Office buildings.
Reduction of energy consumption-related GHG emissions at the Head Office buildings by 1%	GHG emission was reduced by 33.6% in total at the Head Office buildings.
Reduction of A4 paper usage and paper waste across the Bank by 1%	In 2019, paper consumption was reduced by 33.5%. Quantity of waste paper increased by 0.27% across the Bank due to the destruction of the legally expired documents.
Establishment of the Zero Waste System at Yapı Kredi Head Office Plaza D Block	Zero Waste System has been established.
Obtainment of ISO 14046 Direct Water Footprint Certification for the Head Office and facility buildings	Direct Water Footprint Certification has been obtained.

### Short-Term Environmental Targets for 2020

- Expanding the coverage of the certification compliant with the ISO 14064-1 GHG Emissions Reporting Standard to all locations and domestic subsidiaries<sup>8</sup> of the Bank
- Ensuring the continuity of the ISO 14046 Direct Water Footprint Certification at the Head Offices and facility buildings
- Transitioning to the Zero Waste System at the Yapı Kredi Banking Base building
- Obtaining 15% of the Bank's total electricity consumption in 2020 from renewable sources

### Long-Term Environmental Targets for 2020 (base year 2015)

- Reducing electricity consumption at the Head Office buildings by 5%
- Reducing the emissions resulting from energy consumption at the Head Office buildings by 5%



<sup>8</sup> Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Asset Management, Yapı Kredi Invest, and Yapı Kredi Culture Arts and Publishing





# CUSTOMER-CENTRIC AND INNOVATIVE BANKING

PUTTING THE CUSTOMERS AT THE HEART OF ITS EXCELLENT SERVICE NOTION, YAPI KREDİ DEVELOPS ITS PRODUCTS AND SERVICES ACCORDING TO NEEDS AND EXPECTATIONS WITH THE GOAL OF DELIVERING THE BEST CUSTOMER EXPERIENCE, AND IS DIFFERENTIATED IN THE SECTOR BY EFFECTIVELY USING THE POSSIBILITIES OFFERED BY NEW TECHNOLOGY AND DIGITALIZATION.

## Customer satisfaction 94%

Yapi Kredi remained one of the banks achieving the highest customer satisfaction level in 2019.

As at year-end 2019, 94% of the Bank's total banking transactions went through non-branch channels.

# CUSTOMER EXPERIENCE AND SATISFACTION

It is among the primary objectives of Yapı Kredi to focus on customers' experiences, evolving expectations and needs, and to offer them the most suitable products and services by providing correct guidance.

To this end, the Bank concentrates on digitalization in its activities, collaborates with companies developing new technologies and stakeholders, and develops products and services addressing all segments.

Yapı Kredi constantly invests in its employees' skills in order to offer the best to its customers, and drives the Bank into the future drawing on its flexible and competent employee body and experienced management team.

Yapı Kredi puts the customers at the heart of its business and targets to deliver them the best experience at all times based on its excellent service concept. The effective, transparent and solution-oriented communication established with customers via different channels helps the Bank develop and design the products and

services that respond to their demands, needs and expectations. The communication built upon this foundation with the customers, coupled with the high customer satisfaction level, sets the Bank apart in the sector, and plays an important part in ensuring the sustainability of its operations.

In today's fast-changing world, Yapı Kredi espouses the principles of providing the basic and necessary information in an easy-to-understand format, adopting a transparent and fair approach to service, and increasing financial literacy while offering the financial solutions that address the needs of its customers. In the light of responsible lending principles, the Bank analyzes the financial needs and expectations of its customers as well as their creditworthiness, offers them the necessary information to let them make informed choices, and helps them select the right product.




Responsible Lending Statement can be found [here](#).

BASED ON ITS RESPONSIBLE BANKING APPROACH, YAPI KREDİ PROVIDES THE INFORMATION NECESSARY FOR ITS CUSTOMERS TO MAKE INFORMED FINANCIAL CHOICES AND HELPS THEM SELECT THE RIGHT PRODUCT.

THE EFFECTIVE, TRANSPARENT AND SOLUTION-ORIENTED COMMUNICATION ESTABLISHED WITH CUSTOMERS VIA DIFFERENT CHANNELS HELPS YAPI KREDİ DEVELOP AND DESIGN ITS PRODUCTS AND SERVICES THAT RESPOND TO THEIR DEMANDS, NEEDS AND EXPECTATIONS.

ESTABLISHED IN 2017, THE INNOVATION AND CUSTOMER EXPERIENCE DIVISION MONITORS CUSTOMER EXPERIENCE ON A DAILY BASIS IN ORDER TO MAXIMIZE THE QUALITY OF SERVICE RENDERED BY THE BANK.

Set up with the aim of closely monitoring customer experience in a holistic manner and further improving the service quality, the Customer Experience Committee regularly follows up quality data, customer complaints, and customer perception that is measured by various surveys. The Committee's standing members consist of the Assistant General Managers of Alternative Delivery Channels, Retail Banking, Compliance and Internal Control, Information Technologies and Operations Management, Financial Planning and Administration, while the Assistant General Manager of Legal Affairs and Corporate Communications Management Director join the Committee as and when required by the agenda items. Thanks to the activities of the Committee, the topics and projects that need to be prioritized in order to improve customer experience are submitted for management approval with an efficient approach, implemented, and their implications are monitored.

 Customer Satisfaction Policy, which guarantees the good service delivered to customers, can be found [here](#).

**Yapı Kredi remained one of the banks achieving the highest customer satisfaction level in 2019.**

Established in line with the vision of achieving excellence in customer experience in all channels in 2017, the **Innovation and Customer Experience Division** monitors customer experience on a daily basis in order to maximize the quality of service. To deliver a lean and understandable experience, the Division creates customer journey maps that allow identification of critical touchpoints with the customers.

Neuroscience research and neuro-measurements are employed to understand customer needs and sentiments using eye tracking, electroencephalography (EEG), galvanic skin response (GSR) and facial coding technologies. Customers are placed at the epicenter in designs developed based on the project outputs.

During 2019, Yapı Kredi launched 4 major developments that received highly positive feedback from the customers in addition to 94 minor improvements introduced for maximizing customer experience.

- **Exemption to Customers in ATM Failures:**  
In case of a technical problem during cash withdrawal from one of the Bank's ATMs that hinders withdrawing money, the customer is not charged a fee for the first money withdrawal to be performed from the ATM of another bank.
- **Optimization of Purchase Objection Processes:** When a customer contacts the Bank for objecting to a purchase, the result of the relevant assessment is communicated to the customer during the same call and the procedure is brought to completion. In this scope, Visa and MasterCard rules are embedded in the system, and the assessment is performed by the system. For requests that reach a positive result, the amount objected is transferred to the customer's account/card instantly.
- **ATM Direct Return (Phase 2):** In this first phase of the project launched in 2018, in case of jamming or retention of banknotes when depositing or withdrawing cash in/from the account, the related amount started to be directly returned to the affected customer's account without the requirement to make a request to the Bank. In the second phase of the project, the same approach was expanded to cover other cash transactions (credit cards, loans and repayments) in 2019.
- **New PIN Processes Improved in Case of Blocked PIN:** When a card is blocked because of incorrect PIN entry, the customers receive an SMS or notification for getting a new PIN. Customers who are unable to unblock their cards after the message sent can have their cards unblocked via the Customer Relations Center the next day.



## CUSTOMER EXPERIENCE AND SATISFACTION

Yapı Kredi improves customer experience and satisfaction in cooperation with its employees. During 2019, the Bank's employees received a total of 24,783 hours of training on customer relations. Also, the employees convey the creative ideas they conceive based on their own experiences or customer feedbacks to the Bank via the Evreka [Eureka] Idea Management platform. Accessible by all employees, the platform collects ideas about various subjects including enhancement of customer and employee experience, increasing product and service diversity, productivity, cost optimization and the like, and promotes the conversion of employees' creative ideas into projects that will create value.

Yapı Kredi considers customer feedback of the utmost importance and regards them as a valuable opportunity that helps the Bank achieve positive impact. Most of the feedbacks received

are followed up by the related branch managers/ team leaders on a daily basis, and are addressed comprehensively thanks to the reporting system that allows swift actions. Throughout 2019, more than 500,000 customers provided feedback about various subjects. The customer satisfaction scores assigned take place among the performance measurement indicators. In this context, the "Customer Experience Index", which is calculated using indicators associated with operational service and customer perception, lets the Bank measure the customer experience and helps it improve its performance in this respect.

Customer experience scores assigned to branch, call center and Internet banking channels of Yapı Kredi were 80%, 82% and 77%<sup>9</sup> respectively in 2019. Satisfaction measurements by an independent research company revealed the 2019 score as 81.8.

THE "CUSTOMER EXPERIENCE INDEX", WHICH IS CALCULATED USING INDICATORS ASSOCIATED WITH OPERATIONAL SERVICE AND CUSTOMER PERCEPTION, LETS THE BANK MEASURE THE CUSTOMER EXPERIENCE AND HELPS IT IMPROVE ITS PERFORMANCE IN THIS RESPECT.

IN 2019, CUSTOMER EXPERIENCE SCORES ASSIGNED TO BRANCH, CALL CENTER AND INTERNET BANKING CHANNELS WERE 80%, 82% AND 77%, RESPECTIVELY.

**+500,000**

During 2019, over 500,000 customers provided feedbacks about various topics.

**81.8**

Customer satisfaction measurements revealed the 2019 score as 81.8.

<sup>9</sup> Customer experience scores were 78%, 83% and 76% respectively in 2018.



VERBAL/Written REQUESTS, SUGGESTIONS AND COMPLAINTS RECEIVED BY THE BANK ARE RESOLVED QUICKLY AND EFFECTIVELY THROUGH THREE DIFFERENT METHODS: PROACTIVE, FIRST CONTACT, AND WORK-AROUNDS/QUICK FIXES.

Yapı Kredi is striving to reduce the problems and complaints customers have in relation to the Bank's products and services. The Bank targets to achieve excellence in customer experience and satisfaction through solutions and improvements offered for various situations and complaints. Verbal/written requests, suggestions and complaints received by the Bank are resolved quickly and effectively through three different methods: proactive, first contact, and work-arounds / quick fixes. Mostly designed by using big data, machine learning and AI, these solutions help increase operational efficiency as well as customer satisfaction.

- With Proactive Solutions, when a customer experiences a problem, the problem is identified, resolved and information is provided to the customer by the system.
- With First Contact Resolution (FCR), the issue is resolved upon the first contact the customer establishes with the Bank.
- With work-arounds/quick fixes, the problematic points customers have in relation to existing products and services are identified and improved.

These improvements carried out in 2019 served to reduce customer complaints by 28% on a year-over-year basis.

## Customer Relations Center

The Customer Relations Center continues to provide service 24/7 in English and Turkish, responding to all kinds of needs of customers. Approximately 100 million contacts were handled during 2019 via various communication tools including inbound and outbound calls, interactive voice notification (IVN), chat, e-mail, social media, chatbot, video call, WhatsApp and interactive voice response system.

Customers can convey their verbal/written requests, suggestions and/or complaints to the branches, or to Yapı Kredi Customer Relations Centers 24/7, and track the status of the subject matters of their feedbacks or complaints via the Entry Tracking System.

During the reporting period, 92% of 224,502 complaint entries have been responded to. All of the responded complaints have been resolved. The complaints that remained open fall under the scope of unanswerable contacts (unspecified reason for contact, irrelevant to banking, contact information not provided etc.) specified in BAT Minimum Principles and Procedures to be Followed by Banks in Assessing Individual Customer Applications.

Working under the Customer Relations Center, the Complaints Handling Unit carries out its activities with the aim of offering the best to Yapı Kredi customers, drawing assurance from the ISO 10002 Customer Satisfaction Quality Management System certification.

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# 28%

The improvements carried out in 2019 served to reduce customer complaints by 28% on a year-over-year basis.

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## CUSTOMER EXPERIENCE AND SATISFACTION

Existing processes are backed by AI and robotic process optimization. The systemic developments provide automatic classification of customer contacts according to their subject matters and types, and allow automatic incorporation of necessary information within the system entry during the complaint handling process. Thanks to these improvements, Yapı Kredi Customer Relations Center reduced complaint resolution time to one day and became the sector's leader in this respect.

At Yapı Kredi, which invests in innovative tools and technologies being the digital bank of Turkey, a significant portion of the excellent service rendered to customers occurs via the Voice Assistant. The interactive voice response system was converted into a smart structure that recognizes customers, predicts transactions and maintains a conversation. In line with the positive and distinctive experience such applications as Google Assistant and Siri impress customers with, the interactive voice response experience was vested in a more natural and smart structure. With this innovation, the self-service transaction set was broadened by 130% while its usage rate went up from 60% to 65%, and the channel also began to be used for making sales. With these applications developed, the Bank offers cutting-edge technological advancements to its customers, and makes life easier for them.

### Protection and Processing of Personal Data

Offering the best experience and satisfaction to its customers, Yapı Kredi attaches great importance to fundamental rights and freedoms of its customers as well. Maximum care is taken to process all personal data of real persons that deal with the Bank, including those making use of its products and services, in accordance with the Law on the Protection of Personal Data, and to safeguard their privacy and security.

**0** Yapı ve Kredi Bankası A.Ş. Corporate Policy for Protecting and Processing Personal Data can be found [here](#), which sets out the principles and rules governing processing of personal data as per the provisions of the Law on the Protection of Personal Data and applicable legislation, and the rights of related persons.

THANKS TO IMPROVEMENTS MADE, YAPI KREDİ CUSTOMER RELATIONS CENTER **REDUCED COMPLAINT RESOLUTION TIME TO ONE DAY AND BECAME THE SECTOR'S LEADER IN THIS RESPECT.**

WHILE HIGH CUSTOMER SATISFACTION WAS SECURED THANKS TO NUMEROUS NOVELTIES INTRODUCED THROUGHOUT 2019, THIS PERFORMANCE WAS CROWNED WITH AWARDS. **YAPI KREDİ CUSTOMER RELATIONS CENTER WAS DEEMED WORTHY OF 9 AWARDS IN TOTAL IN 2019 INCLUDING FOR BEST TRAINING PROGRAM, BEST TECHNOLOGY APPLICATION, AND MOST RECENTLY FOR THE BEST CALL CENTER IN TURKEY, AS WELL AS FOR ITS INNOVATIONS SUCH AS COMPLAINTS HANDLING, REMOTE PORTFOLIO MANAGEMENT, VIDEO BANKING, WHATSAPP, AND VOICE ASSISTANT.**

# DIGITAL BANKING

YAPI KREDİ DEVELOPS INNOVATIVE FEATURES THAT WILL DELIVER THE BEST CUSTOMER EXPERIENCE ON DIGITAL CHANNELS, AND OFFERS PERSONALIZED PRODUCTS AND SERVICES THAT BETTER UNDERSTAND CUSTOMERS, OPTIMIZE EASY AND SWIFT INTERACTION, AND RESPOND TO INCREASING DEMANDS.

Digital technologies affect the finance sector and banking at an ever-increasing rate. A number of changes are taking place, which have a transformative effect on today's banking concept, such as the increasing prevalence of banking activities and services, decreasing dependence on branches, and provision of banking services at all points that customers need them.

**Yapı Kredi shapes the future of banking starting from today with applications that will make a difference in the fintech world and will transcend the limits of the financial ecosystem.**

Focusing on using the possibilities presented by digitalization and technology in a manner to create value for the customers, the Bank invests substantially in innovation, and promotes programs that will build on its competencies. In addition, the Bank reinforces its R&D and information technologies infrastructure every year, and develops products and services that will make life easier for customers. Targeting to be the first company in the banking sector to come to mind in connection with artificial intelligence and mobile banking technologies, Yapı Kredi presents the sector with feasible comprehensive projects and applications entailing innovative aspects.

In its digital solutions and products, Yapı Kredi predominantly uses artificial intelligence, machine learning, natural language processing, data mining, big data management and mobile software development technologies.

Turnover amounting to TL 20 million at Yapı Kredi On-Site R&D Center

7%[\*] rise in the number of digitally available products

91% of financial transactions executed digitally or automatically

25.5%[\*] rise in the number of mobile-only customers

4.5 million financial transactions automatically performed without human intervention

92% - share of mobile banking usage by active digital customers

71% - ratio of digital banking customers

58% sales penetration through digital channel

17%[\*] increase in the number of active digital customers

94% - share of non-branch channels in banking transactions

22 million mobile banking app downloads

48 products offered from digital banking

22%[\*] increase in the number of active mobile customers

97% - share of digital channels in non-cash transactions

65% - ratio of mobile banking customers

1.2 billion customer interactions on digital channels in 2019

\* All % changes are year-on-year over 2018.

## DIGITAL BANKING

Putting customer satisfaction in its focal point, Yapi Kredi develops innovative features that will deliver the best customer experience on digital channels, and offers easy and swift products and services that better understand customers, optimize interaction and respond to increasing demands. Collaborating with universities, national or international R&D companies in its project developments, the Bank also targets to cooperate with fintechs and startups. Yapi Kredi shares its technically successful initiatives with the sector through scientific articles and by participating in national and international conferences.

**In 2019, with its initiatives in digital banking, Yapi Kredi received 35 awards, 28 of them from international institutions. In addition, the Bank was named the Best Digital Bank of Turkey both in consumer and corporate categories by Global Finance, one of the most eminent publications in the world.**

In 2019, Yapi Kredi authored a number of digital innovations that will enhance customer experience in line with its initiatives to redesign the customer experience in view of evolving customer expectations.

- The set of transactions customers can perform on Yapi Kredi Mobile via Video Transaction Assistants without going to a physical branch was expanded and end-to-end service was offered on digital channels. In 2018, Yapi Kredi had been the first bank in Turkey to enable becoming a customer of the Bank by contacting Video Transaction Assistants. The scope of the service was expanded in 2019, and customers wishing to get a PIN using digital channels can now carry out identity authentication and information updates with Video Transaction Assistants, which formerly compelled a branch visit. All these improvements also contributed to triggering active transacting by inactive customers.
- QR Money Transfer function was launched, which allows customers to perform money transfers much more easily and quickly. Using this capability, customers are able to scan the QR code they create in their Yapi Kredi accounts to execute the money transfer easily and quickly without having to enter an IBAN or account number.
- The set of digital payment solutions was expanded. Using the Pay with QR Code function on POS devices, customers can make payments quickly just by scanning the QR code through Yapi Kredi Mobile, thus eliminating waste of time for taking out a card. In addition, the number of e-commerce sites that use shopping credit function as a payment solution was increased, enabling the customers to fulfill their shopping needs at a higher number of points.
- The Bank's customers are now able to digitally approve customer contracts via Yapi Kredi Mobile and Internet Banking. This solution allows the Bank's customers to transact through digital banking channels without making a trip to the branch to sign documents.
- Thanks to advanced investor profiling, personalized portfolio suggestions began to be offered to customers. In order to enable investment transactions through digital channels in accordance with the needs of different customer profiles, FC Alert and FC Order functions were developed for retail and corporate customers engaging in FC transactions. Yapi Kredi customers can use the FC Order function to issue an order for transacting when the FC price reaches a certain figure, and can set the FC Alert to receive a notification when the FC rate comes to a certain level. In addition, the inflation-indexed time deposit product expanded the investment options.
- Digital Motor Own Damage product gives fast and easy access to motor own damage quotations and policies under the guarantee of Allianz Insurance via Retail Internet Banking

IN 2019, WITH ITS INITIATIVES IN DIGITAL BANKING, YAPI KREDİ RECEIVED 35 AWARDS, 28 OF THEM FROM INTERNATIONAL INSTITUTIONS.

WORLD MOBILE APP WAS INTRODUCED IN 2019 WITH THE AIM OF DIGITALIZING THE EXPERIENCE OF CARDHOLDER CUSTOMERS END-TO-END.

and Yapı Kredi Mobile. Policies can be produced digitally, and the policy can be created with the Digital Motor Own Damage Insurance.

- e-Government integration available in Yapı Kredi Internet Banking was launched also on Yapı Kredi Mobile, thus paving the way for easy sign in to e-Government for executing transactions.
- World Mobile app was introduced in 2019 with the purpose of digitalizing the experience of cardholder customers end-to-end. The benefits that World Mobile offers to ensure an excellent card experience for World Mobile customers include campaign follow-up, post-shopping gift win follow-up, digital payment solutions such as QR and Near Field Communication (NFC) payments, and card management.
- New functions were developed on all corporate digital channels for corporate customers. In this context, Yapı Kredi Mobile allows customers to apply for Business Card and limit increase and for Flexible Commercial Account and Flexible Commercial Account limit increase.
- Electronic Lien Creation was launched, which enabled migration of tasks carried out in hard copy between the branches and the Head Office to the electronic environment. Transactions performed with in-network lawyers began to be performed via the system following the integration, and lien creation procedures that used to take one week were down to less than one day.
- Allocation and monitoring processes were supported through simplified credit line structure and improved commercial lending modules.
- The novelties introduced in 2019 enhanced and facilitated customers' experience to get and renew the Single PIN, which they use to log in to Yapı Kredi Mobile, Internet Banking and World Mobile and to transact with the Customer Relations Center. Improved PIN getting and renewing experiences brought the highest monthly number of active digital customer acquisition in the history of the Bank.
- 45 products and services at branches were digitalized thanks to paperless, unsigned sales processes. As a result, 54 minutes of time per day and 34 million tons of paper were saved.



## DIGITAL BANKING

**FOCA (Financial Documents Correctiveness Analysis)**

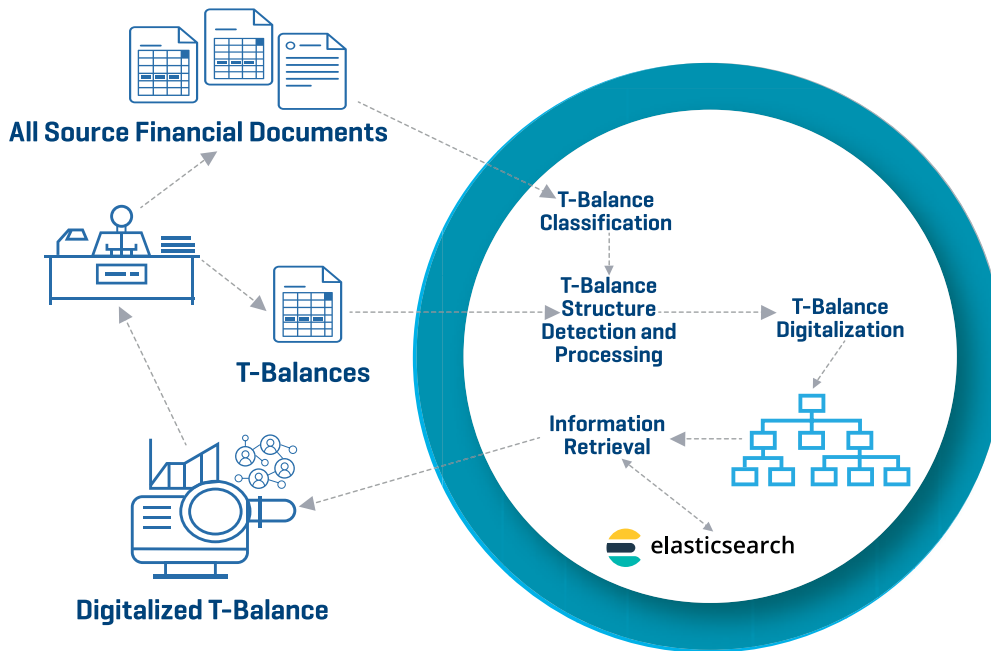
Developed under the FOCA Project of Yapı Kredi Technology, the Digital Trial Balance (Digital T-Balance) is an artificial intelligence application that vests the trial balance, which is a free format financial document of companies, in a digital and structured format. The product can extract and analyze information.

Introduced at the end of 2018 and put into extensive use in 2019, FOCA is a project funded by The Scientific and Technological Research Council of Turkey [TÜBİTAK].

- Digital T-Balance initially detects whether a document is a t-balance.

- If the file is in t-balance structure, it converts the file into analyzable, structured data.
- In the next phase, spelling variances in the entries in account descriptions such as company name, bank name and person name are unified and matched with those in the customer database, if any. They are combined with such data as the unique customer ID, tax number derived from the customer database and converted into comprehensive digital data.

Digital T-Balance application can determine whether a document is a t-balance with a success rate of 94%, and convert it into digital format with a success rate of 92%.



# FOCA

INTRODUCED AT THE END OF 2018 AND PUT INTO EXTENSIVE USE IN 2019, FOCA APPLICATION ACCELERATED AND INCREASED THE EFFICIENCY OF CREDIT EVALUATION AND FINANCIAL ANALYSIS PROCESSES.

The application accelerated and increased the efficiency of credit evaluation and financial analysis processes. With the implementation of the FOCA project, the time spent for processing financial analysis was reduced by 36% for corporate and commercial customers, while 53% time saving was achieved in the credit evaluation process for companies in the large SME segment.

**With the FOCA project, Yapı Kredi received the first prize in the “Digitalization” category at the Most Successful Koç Members 2019 recognition program. The Bank was also given the first**

**prize in the “Information Visionary Project” category at the International Data Corporation (IDC) Turkey Digital Transformation Awards 2019; Innovation of the Month April 2019 at the Efma-Accenture Distribution and Marketing Innovation Awards; Bronze Stevie in the “Business or Competitive Solution” category at the International Business Awards, and first prize in “Corporate Finance” category at the Global Finance The Innovators 2019.**

## BotGen (BotGenerator)

BotGen is an AI-based platform enabling creation of chatbots for different uses and communication channels without coding and revising. It is the first no-code platform capable of generating bots in Turkish and as such, it serves to rapidly fulfill the bot needs of various sectors, uses, social networks and communication channels. Its natural language processing and advanced analytics capabilities make the platform suitable also for the needs of business units that are not familiar with coding and AI. Presenting significant opportunities with respect to customer satisfaction, BotGen detects talking behaviors of customers, automatically classifies customer messages according to topic, and identifies new topics to create content that can be added to the bot.

The AI-based bot infrastructure enabled the introduction of Turkey’s first WhatsApp verified corporate account at the end of 2018, which is

intended to quickly respond to retail customers’ needs for the Bank’s products and services. 400 thousand users were offered service through the WhatsApp verified corporate account in 2019, and approximately 700 thousand contacts were carried out. 73% of the calls received through this platform, which transfers the callers to live support when needed, were answered by the chatbot. Yapı Kredi WhatsApp service was selected as a case study by Facebook Business owing to its successful performance in 2019.

The awards that the Bank garnered in 2019 with the Yapı Kredi WhatsApp project included third prize in the “Operating Model Master” category at the IDC Turkey Digital Transformation Awards, second prize in the “Customer Experience” category at the IDC Turkey Finance Technology Awards, and Silver Stevie in the “Artificial Intelligence/Machine Learning Solutions” category at the International Business Awards.



## DIGITAL BANKING

### Customer Facing Screens

As part of its mission to digitalize branches, Yapı Kredi launched the Customer Facing Screens project, which allows customers to digitally and securely sign the documents. The project reduced branch densities as signing and transaction times were shortened, resulting in a structure enabling service provision to more customers. In addition to saving time and labor, customer satisfaction was enhanced thanks to shortened transaction times. With the eradication of hard copy requirements, paper and ink consumption was minimized. Also savings were secured in shipment and storage costs as printed documents can be stored digitally.

### Code.YapıKredi

In 2019, Yapı Kredi carried on with its Code.YapıKredi program, which was launched as a software development and productization platform seeking to create innovative products and startups with the aim of designing the banking business of tomorrow. In 2019, the Bank introduced the Accelerator Program, Demoday, and “Cultural Codes of the Future with Code.YapıKredi” series consisting of three events. During the Cultural

Codes of the Future with Code.YapıKredi event series, an audience interested in different branches of technology captured the chance to get together with experts in diverse fields. Approximately 700 people were reached with the program and events.



Detailed information about Code.YapıKredi can be found [here](#).

### Evreka [Eureka]

The Bank established the Evreka Idea Management platform to propagate innovation culture and to promote intrapreneurship across the Bank. Accessible by all employees, the platform encourages project ideas that will create value, which are conceived by employees based on their experiences with customers. The platform collects ideas in various fields including upgrading customer and employee experience, increasing product and service diversity, operational efficiency, cost optimization and the like. Through the platform, 28 ideas of employees were put into life in 2019.

THROUGH THE EVREKA IDEA MANAGEMENT PLATFORM, 28 IDEAS OF EMPLOYEES WERE PUT INTO LIFE.





# > TL 130 MILLION

IN THE LAST THREE YEARS,  
YAPI KREDİ ALLOCATED  
OVER TL 130 MILLION IN  
INVESTMENTS TO CYBER  
SECURITY AND FRAUD  
PREVENTION.

## Technological Risks and Cyber Security

Digital transformation and technology have led the banking sector to develop risk management tools to ensure security and privacy of customer information and their personal data, and to manage increasing cyber threats.

As part of Information Technologies (IT) Risk Management, Yapı Kredi conducts annual risk assessments to define threats against critical assets and processes, reveal vulnerabilities, develop control mechanisms, and prevent or mitigate losses. Giving priority to cyber security investments in keeping with this understanding, the Bank carries on with its efforts focused on service continuity and cost optimization.

The Bank's security operations center that carries out cyber security surveillance 24/7 develops cyber security teams and systems using artificial intelligence and advanced analytical techniques. Holding ISO 27001 Information Security System Management Certification, the data center manages its processes in accordance with the system's requirements. Reporting on cyber security is made to the Board of Directors on an annual basis. In addition, regular internal and external audits, vulnerability analysis of information assets, and penetration tests are conducted in the light of international standards and local regulatory framework.

Yapı Kredi Information Technologies and Operations Management targets to continually review and improve banking processes, and to enrich digital channels with innovative products and services. Furthermore, it also aims to expand the use of artificial intelligence, advanced analytics

and machine learning technologies that are being used for increasing the agility and scalability of technology infrastructure, and upgrading the success and efficiency of fraud and corruption detection systems to different channels and applications. In this framework, fraud prevention processes have been developed employing analytical behavior-based detection applications; AI-based models used for detecting credit card fraud have been introduced to protect customers from fraud, and systems tracking customer behaviors for preventing fraud and counterfeiting have been put into implementation.

Based on its internal policies including Code of Ethics and Business Conduct Principles, Company Policy for Protection and Processing of Personal Data, and Information Security Policy, Yapı Kredi implements procedures that go beyond the requirements of the Banking Law and provisions of other applicable legislation. The Bank constantly shares information with the customers regarding internal policies, and the measures the customers themselves can take for cyber security. The Bank also keeps all of its employees informed about any changes in applicable legislation and/or rules, and urges its employees to comply with internal policies and guidelines.

During 2019, 73% of complaints concerning violation of customer privacy and loss of data have been responded to and resolved. Unanswered entries are either in recurrent/erroneous entry status or they are by customers who cannot be reached.

During the reporting period, 2,061 employees received Information Security training.

## CUSTOMER-CENTRIC AND INNOVATIVE BANKING



# IMPACTFUL PRODUCTS AND SERVICES

Yapı Kredi prioritizes to contribute to the advancement of the society and to the economy through its product and service array and develops its products and services based on its customer-centric banking concept. The products and services of Yapı Kredi are being expanded to be more inclusive and to create value for all. Developing products that cater to customer needs, the Bank keeps growing on the center of digitalization.

**Retail Banking** offers service to individual and SME-owner customers that make the backbone of the local economy in line with the customer-centric banking concept.

**Corporate and Commercial Banking** offers customized services to national and international companies that highly contribute to employment and the national economy.

In the period ahead, Yapı Kredi:

- intends to increase its investments in digitalization and the varieties of customer-centric deposit and deposit-backed products in order to increase the accessibility of financial services in Retail Banking. In this context, sales channels will be diversified with an innovative approach, and digital channel use rates will be increased for a better customer experience. The Bank targets to build on digitalization and product diversity in private banking and wealth management besides retail banking, and aims to cater to different needs of customers;
- targets to sustain credit expansion by participating in programs facilitating SME customers' access to financing, and to become their most preferred bank in terms of cash management and product diversity along with the growing economy. In the period ahead as well the Bank plans to ensure broad-based volume increase in credit and deposit products and to accelerate new customer acquisition;
- aims to strengthen its business partnership structure with its corporate and commercial customers, to stand by its customers in value chain management, and to offer a broad range of services at every point that they need.

## IMPACTFUL PRODUCTS AND SERVICES

### Retail Banking

Retail Banking includes Card Payment Systems, Individual Banking, Private Banking and Wealth Management and SME Banking segments. Focusing on its customer-centric banking concept, Yapı Kredi updated its Retail Banking business model in 2019. Accordingly, the Bank has begun to offer services that are more tailored to customer needs in the Individual, Individual Portfolio and Blue Class sub-segments.

As the Bank keeps supporting establishments with its SME and Agricultural Banking services, it also targets to achieve broad-based growth in parallel with the growing Turkish economy.

The leader in card payment systems in Turkey with World for 31 years, since 1988, Yapı Kredi continues to consolidate its leadership each year with its continuous innovations and its approach that goes beyond fulfillment of customer expectations. In 2019, the Bank maintained its innovative leading position in the sector with 11.9 million credit cards, TL 29.1 billion in total credit card outstanding volume and TL 178.1 billion in POS volume.

### Individual Banking

In keeping with the target and strategy of achieving higher customer satisfaction, Yapı Kredi introduced the Individual Portfolio sub-segment as part of its customer-centric individual banking service. In this context, approximately 1 million customers, which are determined by taking credit products and customer assets into consideration, started to be served by 1,055 individual consultants in 694 branches. In addition to the experienced and competent sales team offering these services at the branches, 46 central retail consultants provide service to digitally inclined customers from the Customer Relations Center within the scope of the Remote Service Model.

Yapı Kredi sustained its expansion in terms of revenues and active customers in individual banking on the back of products and services it offers through branches, call center and digital channels. In the year ahead, the Bank targets to increase the accessibility of its financial services, have its deposit and deposit-based products used by wider audiences, and offer high-quality service with products catering to customer needs through innovative channels.

The deposits of individual banking customers of the Bank, which captured its growth targets in the low-risk retail banking segment in 2019, increased by 31%, while TL demand and time deposit volumes increased by 59% and 24%, respectively. Thanks to the economic recovery, deferred customer demand and falling interest rates in the last quarter of 2019, the sector loan volume increased by 26%. Yapı Kredi, on the other hand, increased its market share in loans from 9.6% to 10% with the 32% expansion it has secured.

YAPI KREDİ SUSTAINED ITS EXPANSION IN TERMS OF REVENUES AND ACTIVE CUSTOMERS IN INDIVIDUAL BANKING ON THE BACK OF PRODUCTS AND SERVICES OFFERED THROUGH BRANCHES, CALL CENTER AND DIGITAL CHANNELS.

DURING 2019, THE DEPOSITS OF INDIVIDUAL BANKING CUSTOMERS OF THE BANK INCREASED BY 31%, WHILE TL DEMAND AND TIME DEPOSIT VOLUMES INCREASED BY 59% AND 24%, RESPECTIVELY.

In the Blue Class sub-segment, customized consultancy services are being offered according to the investment profile of each customer with investment needs. Consultancy services are provided directly also through Yapı Kredi Invest and Yapı Kredi Asset Management. Providing its customers with the opportunity to invest their savings in the most accurate way and targeting to optimally fulfill expectations by focusing on the personal financial needs, the Blue Class segment served the customers vis-a-vis with 383 portfolio managers in 293 branches and remotely with 25 central Blue Class portfolio managers in 2019.

Through bancassurance, solutions continue to be offered for all insurance needs of Yapı Kredi customers. The Bank gives importance to digitalization of products and services and investments are in progress in a bid to offer better and faster service to customers. At the end of 2019, 30.9% market share brought continued leadership in the health insurance branch.

#### **Private Banking and Wealth Management**

In addition to Private Banking services, Yapı Kredi, together with Yapı Kredi Invest and Yapı Kredi Asset Management, continues to provide service that is customized according to the needs of its customers with assets worth TL 500 thousand and above, that prioritizes their financial expectations and gives the foreground to satisfaction.

As at 2019, Yapı Kredi was controlling TL 67 billion in client assets in private banking and portfolio management out of 21 private banking locations and with 134 portfolio managers. The Bank offers a broad product range in keeping with the customers' expectations and risk perceptions.

Planning to expand its customer base by focusing on diverse needs and expectations in 2020, the

Bank also targets to undertake digitalization efforts so as to boost productivity and to diversify its product portfolio with a long-term investment approach

#### **Yapı Kredi Invest**

Yapı Kredi Invest targets to offer solutions for the needs of its customers, and handles a wide array of transactions ranging from domestic and international equities to sophisticated derivative products and advisory services. The sector's leader in equity trading and futures and options transactions, and taking one of the top ranks in the sector in terms of profitability, Yapı Kredi Invest preserved its leadership position despite the challenging market conditions in 2019. The targets for the year ahead include reaching new customers and customer segments, increasing the agility of customer sales channels, and strengthening access to these channels.

#### **Yapı Kredi Asset Management**

The pioneer in its sector, Yapı Kredi Asset Management adjusted to the changing market conditions of 2019, and offered Private Pension Funds Management, Discretionary Portfolio Management and Investment Advisory services, in addition to mutual funds formulated to meet the diverse needs of its clients, as it did in previous years.

With total assets under its management worth TL 31 billion, the company ranked third in the sector with 13.2% market share in 2019. Yapı Kredi Asset Management was recognized with 9 different awards, including best asset management and best pension fund management awards, by 6 different international organizations, one of which was World Finance, in 2019.

## IMPACTFUL PRODUCTS AND SERVICES

### SME Banking

Yapı Kredi continues to support the SMEs that have an important place in the Turkish economy by virtue of their contributions to employment and national income. The Bank customizes its products and services according to the sectors in which SMEs operate, and strives to fulfill all their needs flexibly and rapidly.

Under its reformatted service model in 2019, Yapı Kredi further built on its comprehensive asset management services targeting micro and small businesses with its customer-centric and broad-based growth strategy.

Thanks to the digital-oriented transformation, 90% of the services that were being delivered from out of branches can now be rendered through tablet computers, which serve to increase the number of non-branch sales and customer visits of portfolio managers.

As a result of the smart and low-risk growth strategy of the Bank, total deposits volume and TL deposits volume available to SME Banking each expanded by 21% year-over-year, whereas TL demand deposits volume was up by 34%, all of which contributed significantly to the Bank's profitability.

With the successful service model transformation project, Yapı Kredi was named the "Best SME Bank in Turkey" at the Global Banking & Finance Awards 2019 organized by Global Banking & Finance Review.

In 2019, the Bank extended TL 12 billion in loans under the CGF programs taking place among the highest-amount financing supports provided to the SMEs and increased its aggregate CGF market share to 8.72%. Yapı Kredi participated in "KOBİ Değer" and "Ekonomi Değer" loan programs introduced by CGF in 2019, and captured market share leadership in 2019 CGF programs.

TOTAL DEPOSITS AND TL DEPOSITS VOLUMES AVAILABLE TO THE SME BANKING OF YAPI KREDİ EACH EXPANDED BY 21% YEAR-OVER-YEAR, WHEREAS TL DEMAND DEPOSITS VOLUME WAS UP BY 34%, ALL OF WHICH CONTRIBUTED SIGNIFICANTLY TO THE BANK'S PROFITABILITY.

### Support to Entrepreneurship

Recognizing the importance of the support extended to entrepreneurship that is a component of economic growth and local development, Yapı Kredi disbursed TL 48.5 million in loans to entrepreneurial establishments with the interest support of KOSGEB and the collateral support of CGF equity in the second half of the year. Of this amount, TL 18 million was allocated to women entrepreneurs, TL 3 million to young entrepreneurs, TL 0.3 million to handicapped/war veteran entrepreneurs and their next-of-kins.

### Agricultural Banking

Sustainable growth of the agricultural sector, which is one of the most vital components of the Turkish economy, is critical due to food security, provision of raw materials for the industry, and its contribution to the country's exports.

Within the scope of agricultural banking, Yapı Kredi offers customized services and products that cater to farmers' needs. Benefits continue to be derived both for the farmers and the companies that buy produce from farmers under the Agricultural Value Chain Collaborations, which win the produce payments of those companies for the Bank. During 2019, the loans made available to the agricultural sector amounted to TL 373 million. A substantial portion of the loans was in the form of agricultural business loans, whereas TL 18.6 million thereof was allocated to agricultural investment and equipment modernization.

HAVING RECEIVED AN EXCELLENCE AWARD FOR SERVICE QUALITY IN 2019, **YAPI KREDİ FACTORING** KEPT DIVERSIFYING ITS FUNDING SOURCES TO PROVIDE LOW-COST FINANCING TO ITS CUSTOMERS.

### Corporate and Commercial Banking

Yapı Kredi retains its position among Turkey's leading banks in Corporate and Commercial Banking. Besides servicing a wide array of local companies, the Bank also delivers tailored services for international and multinational conglomerates. Products and services offered include project finance; cash management; foreign trade finance; corporate finance advisory under investment banking, financial advisory, capital management advisory, and merger and acquisition finance; and banking service charges management under the fees and commissions center.

Corporate and Commercial Banking is sub-divided into Commercial Banking and Corporate Banking, and addresses companies with an annual turnover of more than TL 25 million.

At the Bank, 11 regional offices and 46 branches deliver Commercial Banking services, whereas 3 branches cater to Corporate Banking and 1 branch services International and Multinational Banking customers. Within the scope of the new service model introduced in 2019, Commercial Banking service began to be provided in 38 cities with 127 Commercial Portfolio Managers in 118 Retail Banking Branches.

Holding a market share of 20.34% in terms of leasing receivables, **Yapı Kredi Leasing** provided financing for machinery investments, with a particular focus on manufacturing and construction equipment industries in 2019, with its smart solutions, expert teams and vast experience.

Since 2002, **Yapı Kredi Factoring** has ranked among the top companies in the Factors Chain International's Best Export Factors index worldwide. Having received an excellence award for service quality in 2019, the Yapı Kredi Factoring kept diversifying its funding sources to provide low-cost financing to its customers. Having reached a total business volume of TL 19.6 billion, of which 78.5% is derived on domestic transactions and 21.5% on international transactions, Yapı Kredi Factoring was ranked first in the list of Best Factoring Companies in Turkey by Capital, and was named the Best Factoring Company in Turkey by Global Banking and Finance Review.

Having targeted to reduce its concentration in corporate and commercial loans to achieve a broad base, Yapı Kredi aims to strengthen its partnership with customers in the year ahead, focus on value chain management, and continue to take part in value-adding projects for the local economy by increasing operational efficiency.

IN CORPORATE AND COMMERCIAL BANKING, YAPI KREDİ CONTINUES TO BE THE BUSINESS PARTNER OF ITS CORPORATE CUSTOMERS WITH A BROAD ARRAY OF SERVICES RANGING FROM EVERYDAY TRANSACTIONS TO FINANCIAL ADVISORY.



## IMPACTFUL PRODUCTS AND SERVICES

### Project Finance

Yapı Kredi is a leading bank in long-term project and structured finance in the Turkish market. During the reporting period, Yapı Kredi continued to cooperate in sustainable finance with international institutions such as EIB, EBRD and Proparco. The Bank's project finance portfolio covers projects in infrastructure, energy, commercial property and acquisition finance sectors.

### Investment Banking

Yapı Kredi offers corporate finance advisory, financial advisory and capital management advisory services under the Investment Banking segment. The Bank establishes dialogues on a strategic level with its customers in energy, infrastructure, consumer goods, retailing, and the like, and provides corporate finance advisory with a particular focus on mergers and acquisitions. Within the scope of financial advisory service, appropriate financing models are created for clients' large-scale projects in various sectors primarily in infrastructure, energy and mining, and restructuring projects by evaluating various funds from national and international lenders, and support is extended throughout the entire chain of financial processes including the negotiations with the lenders.

Under **capital management advisory services**, customers are assisted to develop sound balance sheet structures, and ensure optimum debt-equity ratios in line with sector-specific factors.

### International and Multi-National Banking

Introduced with the motive of offering 360 degrees service to international and multinational firms, the International & Multinational Relationship Banking (IMB) services are delivered through three separate units, namely International Banking Branch, Sales and Credit Support Function and Cross-Border Banking Activities Unit.

The **International Banking Branch** services exclusively companies with foreign shareholding and extends support via a team of specialized customer representatives experienced in relevant services and products, and are fluent in various languages. In addition, all international companies receive service for investment and structured finance from the Sales and Credit Support Function. **Cross-Border Banking Function** provides advisory to foreign investors regarding Turkey and the banking sector, and is anticipated to achieve increased usage in various subjects such as account opening processes and introduction of product groups. In 2019, overseas account opening formalities were handled for 34 Turkish companies, whereas accounts were opened with IMB and other Yapı Kredi branches of 75 investors backed with foreign capital.

### Cash Management and Foreign Trade Finance

Yapı Kredi keeps reaching its customers via diverse channels with cash management and foreign trade finance solutions. In addition to collection and payment services furnished all over the country, the Bank also offers support system and payment method mechanisms to Turkish companies engaged in international trade.

Yapı Kredi provides numerous different products and services countrywide including collection and payment services, cash transfer services, digital banking and operational services. Besides cash management, the Bank also provides data integration and reconciliation solutions for these products.

INTRODUCED WITH THE MOTIVE OF OFFERING 360 DEGREES SERVICE TO INTERNATIONAL AND MULTINATIONAL FIRMS, THE INTERNATIONAL AND MULTINATIONAL RELATIONSHIP BANKING (IMB) SERVICES ARE DELIVERED THROUGH THREE SEPARATE UNITS, NAMELY INTERNATIONAL BANKING BRANCH, SALES AND CREDIT SUPPORT FUNCTION, AND CROSS-BORDER BANKING ACTIVITIES UNIT.

YAPI KREDİ SUPPORTS CUSTOMERS VIA INNOVATIVE AND ALTERNATIVE FOREIGN TRADE PRODUCTS AND SOLUTIONS, AS WELL AS CONVENTIONAL IMPORT AND EXPORT PRODUCTS.

In 2019, Yapı Kredi further strengthened its leading position in e-banking with its high performance in direct debit and BANKO™ bulk payment system. The Bank also helped corporate and commercial banking customers manage their supply processes more efficiently and tap alternative financing facilities with its Supplier Finance product.

The Bank also offers a variety of support services and payment management mechanisms to Turkish companies engaged in international trade. The Bank supports customers via innovative and alternative foreign trade products and solutions, as well as conventional import and export products.

Koç Group Dealer and Supplier Network Business Development Unit was established with the objectives of fulfilling the increasing banking needs of the Koç Group dealers and suppliers, and helping them achieve sustainable growth through the financial advisory to be provided. The Bank places much emphasis on supporting dealers and suppliers not only with the provision of financial solutions but at every point that will support their development and growth.

## Treasury

Responsible for managing the Bank's liquidity requirements, interest rate risks, and foreign exchange position, Treasury Management also controls its investment portfolio. In the period ahead, Treasury Management targets to fulfill the real economy's need for financing, further increase funding diversity, retain its leadership in correspondent relationships, and maintain its approach to sustain solid liquidity and funding position.

**Fixed Income Securities:** Yapı Kredi remained an active player in the TL securities market, being one of the 12 market-makers designated by the Republic of Turkey Ministry of Treasury and Finance. The Bank borrowed TL 16.57 billion from the domestic market through 129 issuances in total in 2019.

### The Money Markets and Balance Sheet

**Management Unit** manages the interest rate risks associated with on and off-balance sheet liabilities of Yapı Kredi with an approach that is highly responsive to market developments and in line with the Bank's Risk Policy. The Unit continued to secure low-cost, long-term funding from international financial markets through various debt instruments in 2019.

RESPONSIBLE FOR MANAGING THE BANK'S LIQUIDITY REQUIREMENTS, INTEREST RATE RISKS AND FOREIGN EXCHANGE POSITION, TREASURY MANAGEMENT ALSO CONTROLS ITS INVESTMENT PORTFOLIO.

## IMPACTFUL PRODUCTS AND SERVICES

### The Foreign Exchange and Derivatives Unit

handles the pricing of all kinds of commodities and derivatives, as well as of spot and forward foreign exchange on international markets.

**The Treasury Marketing Group** offers financial advisory services to customers from all segments with its technological infrastructure and know-how. Besides offering competitive prices for all products, the Group also develops derivative products tailored to specific financial needs of customers.

### The Budget Planning and Financial Monitoring Unit

analyzes the effects of changes in market conditions on the Bank's profitability and operations in accordance with the risk management principles of the Bank's balance sheet and income statement, and extends support to other units of the Treasury.

## Financial Institutions

### Correspondent Banking

2019 has been yet another successful year for Yapı Kredi in terms of correspondent banking activities despite the fluctuations in global and domestic markets. Offering service with a network of 1,800 international banks, the Bank's correspondent banking business line contributed to the renewal of syndicated loans and helped maintain the market share in foreign trade finance.

### Syndicated loans with highest number of participants and highest amount

In May 2019, Yapı Kredi successfully renewed its syndicated loan. The Bank aims to fulfill the pre-export funding needs of customers with the loan in the total amount of USD 350 million and EUR 606.8 million. Having the largest lender base among its kind at the time of its execution, the facility has been provided with the participation of 49 banks from 21 countries.

In October 2019, Yapı Kredi successfully rolled over a second syndicated loan with a 367-day maturity comprising of two tranches in USD and EUR, raising USD 370 million and EUR 520 million. This second syndicated loan facility was the highest amounted syndicated loan at the time.

### International Debt and Capital Markets

In 2019, Yapı Kredi continued to secure funds from international markets by diversifying its funding sources. The Bank successfully secured international funds worth USD 4.2 billion throughout the year, thanks to its robust international relations and solid shareholding structure.

THE SYNDICATED LOAN THAT YAPI KREDİ SECURED IN THE TOTAL AMOUNT OF USD 350 MILLION AND EUR 606.8 MILLION WITH THE PARTICIPATION OF 49 BANKS FROM 21 COUNTRIES HAD THE LARGEST LENDER BASE AMONG ITS KIND AT THE TIME OF ITS EXECUTION.

## COMPETENT EMPLOYEES

Yapı Kredi believes that delivering the best products and services to customers and thus driving its business forward every day is possible only with a talented and committed workforce. The Bank invests in its flexible, innovative and experienced human capital that bears the deep-seated sectoral know-how of 75 years, and responds to the evolving conditions of the world and the sector together with its competent employees.

Yapı Kredi joins hands with its employees to continue to create value, enabled by professional training programs, employee development programs, and working conditions that are based on work-life balance. Making gender equality a guiding principle also in its workforce, Yapı Kredi is the bank boasting the highest ratio of women employees in its organization.

### STRATEGIC GOALS

TO BE TURKEY’S LEADING INSTITUTION IN HUMAN RESOURCES

TO TRAIN THE BEST BANKERS IN TURKEY’S BANKING SECTOR

IN ACCORDANCE WITH THE BANK’S DIGITALIZATION STRATEGY, ORGANIZE TRAINING ACTIVITIES AND EVENTS FOR THE DEVELOPMENT OF CURRENT EMPLOYEES

AS THE BANK ADVANCES TOWARDS ITS GOALS, SUPPORTING EMPLOYEES TO DISCOVER AND REALIZE THEIR POTENTIAL



## COMPETENT EMPLOYEES

### Diversity and Inclusion

Yapı Kredi believes that it will capture success in a working environment where differences are regarded as richness. The Bank espouses an approach that takes a firm stand against all kinds of discrimination, including but not limited to discrimination on the basis of language, religion, gender, ethnicity, faith, and sexual orientation. No cases of discrimination were ascertained at the Bank during the reporting period.

The Bank is guided by the Declaration on Equality at Work, established under the leadership of the Republic of Turkey Ministry of Family and Social Policies in collaboration with the World Economic Forum (WEF) to reduce gender inequality, and Women's Empowerment Principles (WEPs) launched through a partnership between UN Women and UN Global Compact, intended to empower women in workplace, marketplace and community.

In 2019, labor force participation rate for women was 34% across Turkey, 51% in the banking sector, and 62% at Yapı Kredi. Supporting the participation of women in economic life in keeping with the responsibility it bears because of its role as the flagbearer of gender equality in the sector, the Bank observes gender equality also in recruitment. During 2019, 58% of the newly hired employees were women.

In 2019, the return-to-work rate of employees after maternity leave was 96%, whereas retention rate after maternity leave was 97%<sup>10</sup>. Placing emphasis on having women in decision-making positions and playing a part in training the women leaders of the future, Yapı Kredi boasted a rate of 43% of women in leadership in 2019<sup>11</sup>.

### *Right to collective bargaining and freedom of association*

Yapı Kredi respects its employees' right to collective bargaining and freedom of association. To inform all employees about their union rights, the articles of collective labor agreements are communicated via the Bank's communication channels and within the orientation training. 56% of the Bank's employees are union members and collective labor agreements are signed biannually with Banking-Finance and Insurance Workers Union (BASİSEN). The latest agreement signed covers the period between 1 April 2019 through 31 March 2021.

In addition, the Employee Relations Advisory Board (ÇİDAK) established within Yapı Kredi is intended to maintain labor peace between the Bank and union members, resolve any problems swiftly, and thus increase efficiency.

AT YAPI KREDİ, THE RATIO OF WOMEN EMPLOYEES IS 62% AND THE RATIO OF WOMEN IN LEADERSHIP IS 43%

YAPI KREDİ ESPOUSES AN APPROACH THAT TAKES A FIRM STAND AGAINST ALL KINDS OF DISCRIMINATION, INCLUDING BUT NOT LIMITED TO DISCRIMINATION ON THE BASIS OF LANGUAGE, RELIGION, ETHNICITY, GENDER, FAITH, AND SEXUAL ORIENTATION.

<sup>10</sup> The calculation methodology can be found in the "Reporting Guidance" section of this report. Retention rate after maternity leave is the ratio of the number of women employees working for the same organization for a period of 12 months upon returning from maternity leave to the ratio of women employees returning from maternity leave in the year immediately preceding the reporting period.

<sup>11</sup> Leadership definition includes manager and higher positions.

### Talent Management

Yapı Kredi designs talent management practices in parallel with its strategic goals and to respond to various business needs. The main categories for branch employees consist of technical training programs such as sales, product, risk, service model and loans, and personal development programs. Technical and personal development training programs that vary according to the specific requirements of departments are planned under different headings for the Head Office employees.

### An average of 34 hours of training per employee per annum

Since 2008, Yapı Kredi Banking Academy (YKBA) offers training programs for professional development to all employees including those of domestic and overseas subsidiaries. Supported by the leading consultants in the sector and academics, 250 in-house trainers design development programs for employees, university students and customers.

In an effort to promote employee development, employees are offered special discounts for graduate programs at worldwide prestigious universities, including Turkey's leading universities.

SINCE 2008, YAPI KREDİ BANKING ACADEMY (YKBA) OFFERS TRAINING PROGRAMS FOR PROFESSIONAL DEVELOPMENT TO ALL EMPLOYEES, INCLUDING THOSE OF DOMESTIC AND OVERSEAS SUBSIDIARIES.



## COMPETENT EMPLOYEES

	Program	Program Objectives
Employee Development Programs	<b>Yapı Kredi My Leadership Journey</b>	The program is designed to train leaders from within to ensure a sustainable leadership line and to have leaders that speak the same language across the Bank.
	<b>Koç Holding Training Programs</b>	The program offers various training programs designed to gain experience in the areas of networking and cooperation between Koç Group employees, personal brand creation, agile leadership, understanding different industrial dynamics, artificial intelligence, innovative perspective and global perception.
	<b>Leading in a Global World, Executive Education Abroad Program</b>	Under the “Executive Education Abroad” educational program developed by Boğaziçi University for senior executives from Turkey, employees attend the training series organized at the McCombs School of Business at The University of Texas. The education is designed to help the participants improve their skills in leading innovation, emergence of new global markets, implementation of strategic change, and finding creative solutions to complex problems.
	<b>Overseas Programs</b>	Online and campus programs are targeted at giving leadership skills, negotiation skills, strategic thinking, nurturing innovation and adaptation to the digital world.
	<b>Yapı Kredi Trains Its Internal Coaches</b>	Using coaching method, the program is intended to help employees successfully achieve their targets, and establish the work-life balance.



	Program	Program Objectives
Young Talent Programs	<b>Yapi Kredi Young Branch Internship Program</b>	The internship program invests in the development of Turkey's young talents by offering professional and personal development opportunity to junior and senior year students at universities.
	<b>Digitalent Talent Program</b>	The best talents in Turkey are given a chance to discover themselves and to gain an insight into the business world before venturing into professional life.  The program entails training and seminars offered by the most eminent institutions in Turkey and in the world, half-time internship to let young talents to explore the area in which they wish to have a career, and mentorship support from a Yapı Kredi employee.
	<b>Digipro Head Office Internship Program</b>	Under the Digipro Head Office Young Internship Programs, students experience business life through contents designed according to the different dynamics of the units at the Head Office and at Yapı Kredi's subsidiaries.
	<b>MT and ST Programs</b>	Students befitting the Management Trainee (MT) profile join a program consisting of education and events that last throughout their education, and they have priority in the recruitment process if they wish to start their career as an MT at Yapı Kredi upon graduation. They have additional possibilities such as pursuing a Master of Business Administration (MBA) with an education grant (with varying coverage depending on certain criteria) at Koç University.  The Sales Trainee (ST) program is the new-graduate hiring program for branch sales teams. In this program, new graduates start their careers with a development program for branch sales teams.
<b>Digital Competency Building Programs</b>		Digital skills of the workforce increase thanks to these programs in which 19% of the employees participated in 2019. Digital Transformation in Finance Driven by Blockchain, Koç University Data Science Certification-Lab Sessions, Koç University Data Science Certification Program Preparation Training, Digital Transformation and Technology Trends that Transform the Banking Business, Applied Financial Management and Statistics in Excel, Digital Transformation in the Banking Business and Fintech are some of the programs organized to build on employees' digital competencies.

## COMPETENT EMPLOYEES

### Performance Appraisal

In a bid to support the development of individual and institutional performance, Yapı Kredi evaluates the performances of all Bank employees.

Under the Performance Management System revamped in 2019, two different processes have been designed: Interim Performance Evaluation and Year-End Performance Evaluation. Performance evaluations are measured on two axes, namely technical performance and development performance.

With this new model launched in 2019, the Bank targets to expand the feedback culture, improve the accuracy and reliability of the performance system, identify needs for training and development plans in the light of performance results, and offer solutions for development areas accordingly.

### My Career Journey

Under the program named “My Career Journey” launched in 2019 and addressing branch network employees in particular, employees are able to design their career routes from their first day at the Bank. They are able to prepare themselves for their next position through distant learning and classroom training programs. In 2019, 741 employees changed positions, and a total of 1,943 employees transferred between segments.

Within the frame of “ŞubeMe Doğru” program, which is the Branch Manager Designation Process, 275 Yapı Kredi employees took part in the “Evaluation Center Practice”.

### Employee Engagement and Satisfaction

The human capital of Yapı Kredi makes the foundation of the Bank’s institutional success. Regular employee engagement and satisfaction surveys measure the needs and expectations of the workforce. Every year, Yapı Kredi takes part in these surveys conducted by Koç Holding. Survey results are shared with the senior management, and employees’ perception of the company, training programs, performance management and rewarding are evaluated for further actions. The Employee Engagement Survey conducted in 2019 found the employee engagement rate as 69%, whereas the Employee Satisfaction Survey revealed an employee satisfaction rate of 72%.

With the New Recruits survey, newly hired employees share their experiences during orientation. Employees can submit their complaints regarding employee rights, working conditions, mobbing and managers’ faulty attitudes to the Ethics Helpline under the Compliance and Internal Control Department. They can also submit questions and requests regarding human resources practices and personnel rights to the relevant career consultant, their managers, HR Helpline (Alo İK) and via Ask HR on the HR IT Self-Service system.

Yapı Kredi attaches importance to its employees’ health and safety. In order to provide an equitable and safe working environment where no forms of violence are tolerated, the Bank introduced the Business Against Domestic Violence Policy in 2019. Employees are offered mechanisms that will provide consultancy, guidance, training and

IN ORDER TO PROVIDE AN EQUITABLE AND SAFE WORKING ENVIRONMENT WHERE NO FORMS OF VIOLENCE ARE TOLERATED, THE BANK INTRODUCED THE BUSINESS AGAINST DOMESTIC VIOLENCE POLICY IN 2019.

IN ORDER TO POPULARIZE VOLUNTEERING AMONG EMPLOYEES AND TO TURN IT INTO CORPORATE CULTURE, YAPI KREDİ LAUNCHED THE YAPI KREDİ VOLUNTEERS DIGITAL PLATFORM IN 2019.

support services if needed. Employees can seek support for themselves or learn about how they can help their families, relatives and colleagues in case of domestic violence via the Employee Support Helpline.

BizClub initiative was introduced in July 2019 to help Yapı Kredi employees to maintain their work and social lives together. Employees joining BizClub take part in various events and activities including sports clubs, workshops and major cultural and artistic events in Turkey, and come together in extracurricular activities. In 2019, 29% of employees joined the program.


#### **Employee Volunteering**

Yapı Kredi believes that involvement of its employees in solving social problems is important in terms of employee happiness and social benefit. Hence, the Bank encourages employee volunteering within the organization. In order to popularize volunteering among employees and to turn it into corporate culture, Yapı Kredi Volunteers digital platform was created in 2019. Through the platform, employees become aware of the projects carried out by NGOs, and communicate with one another. The platform also serves as a tool that allows employees to apply for existing projects or create their own volunteering initiatives. During 2019, approximately 1,300 Yapı Kredi Volunteers took part in employee volunteering programs.

#### **Occupational Health and Safety**

Yapı Kredi regards it as one of its foremost responsibilities to provide its employees with a safe working environment and healthy working conditions. The Bank adopts a comprehensive approach to the management of Occupational Health and Safety (OHS) in order to prevent all kinds of accidents, casualties, and occupational diseases that may arise during work.

The standards in the OHS Policy, with which all employees are expected to comply, constitute the fundamental element of this comprehensive approach. Possible accident scenarios are determined and measures are taken before they happen. Informative training programs and events related to OHS are organized, in which workplace physicians and OHS experts take part. At Yapı Kredi, OHS is managed with the involvement of senior management and employees. The Human Resources Operations and Industrial Relations Manager is responsible for occupational health and safety, within only two reporting levels under the CEO. 44% of the employees are represented on the OHS Committee.

 The OHS Policy can be found [here](#).

The OHS targets of the Bank include giving safe driving training to all employees driving employee commuting vehicles, increasing security in these vehicles, and following up the accident frequency rate. In 2019, Yapı Kredi employees and contractor employees received 12,000 and 384 hours of OHS training in total, respectively.





# OUTLOOK

HAVING PAVED SIGNIFICANT DISTANCE IN TECHNOLOGICAL TRANSFORMATION, YAPI KREDİ STRUCTURED ITS INFRASTRUCTURE, SERVICE CHANNELS AND BUSINESS PROCESSES IN A FORMAT THAT IS HIGHLY RESPONSIVE TO CHANGE. HAVING IMPROVED ITS DIGITAL TECHNOLOGIES, NEW AGILE WORKING MODELS AND DATA ANALYTICS CAPABILITIES, THE BANK USES ARTIFICIAL INTELLIGENCE AND ROBOTIC TECHNOLOGIES TO PROVIDE OFFERS AND EXPERIENCES THAT CREATE VALUE FOR ITS CUSTOMERS.



## OUTLOOK

Global economic volatilities, the world trade wars and the tensions in the Middle East that are on the global agenda at the onset of 2020 influence the political and economic balances of Turkey as well. Targeting 5% growth in 2020, the Turkish economy was exposed to shocks due to the ramifications of the COVID-19 pandemic that took the whole world in its grip following its outbreak in China.

The decreased commodity prices in global markets, and particularly plunged oil prices, are anticipated to impact the current deficit positively. However, the more-heavily Europe-originated demand that is near standstill in exports, interrupted production, tourism revenues anticipated to decline due to the travel restrictions imposed put pressure on the economy. Domestic demand will also be negatively affected by the increased unemployment that resulted from the pandemic-related measures, while growth targets will be revised downwards and funding will be sought after in order to repay external debts.

To this backdrop, the banking sector has major duties to undertake. Credit repayments will require flexibility and restructuring. Funds will need to be raised to help revive domestic demand and to support the manufacturing industry.

The volatilities sustained in the global economy in the past 15 years, contracted profit margins and advancements in technology have led the finance sector to explore new business models. In addition to the economic impact it has created, the COVID-19 pandemic is anticipated to trigger radical changes in the behaviors of individuals and in the ways companies do business. Along this line, the transformation of the finance sector that is in progress will gain speed. There will be increased tendency towards digital channels and new distant service models will be developed. The change that will result from online shopping and e-commerce activities in consumer behavior will bring new players and business models on the stage.

Customer expectations reshaped by the Internet, mobile and smart devices will be accompanied by new technological developments. Technologies

such as the internet of things (IoT), augmented reality [AR], and artificial intelligence [AI] will cause major changes in the way people live, work and shop.

Customers will anticipate experiences that take just a few strokes to deliver the products and services they need and instantly compare the service rendered against competition. It has already become vital, and will be gradually increasing in importance, to deliver the same experience without interruption via different channels, and to understand the needs that even the customer is unaware of so as to propose personalized solutions and offers.

Technological advancements eradicated the barriers to new entries in numerous sectors, and led new players to acquire share on the back of new business models. Major technology companies and newly-established, smaller fintechs will continue to get share from the finance sector. Therefore, the dimension and actors of competition will also change in the years ahead. Those banks that are able to join forces, collaborate and create ecosystems with these organizations will have converted threat into advantage.

While the innovations in technology increase customer expectations and complicate competition, they also present new opportunities for the banking sector. Digital channels, artificial intelligence, robotic technologies, cloud systems enhance customer experience and allow the emergence of more profitable business models involving less capital and more efficient business processes. Blockchain technologies will transform payment and collection systems.

Yapı Kredi has already invested substantially in R&D and innovation, and paved significant distance in technological transformation. Since change will be ongoing, the Bank structured its infrastructure, service channels and business processes in a format that is highly responsive to change. Continuously improving its digital technologies, new agile working models and

YAPI KREDİ IS LEADING THE BANKING BUSINESS OF THE FUTURE WITH ITS INVESTMENTS IN R&D AND INNOVATION.

## SUSTAINABILITY

In the future, investors, individuals and employees are anticipated to have increasing expectations regarding sustainability from corporations, and public authorities are expected to take on a more active role in certain areas.

data analytics capabilities by the day, the Bank continually increases the efficiency of its operational processes using artificial intelligence and robotic technologies, while providing offers and experiences that create value for its customers.

The changes in customer expectations and experiences also change their values. Owning things will no longer serve as a status symbol as experiences will gain importance. While outlays on services are projected to increase by USD 3,839 billion in developed economies between 2018 and 2030, the anticipated growth in consumer durables is merely USD 503 million for the same period. Hence, banks will put their customers at the epicenter, and work to deliver them excellent experiences within the ecosystems surrounding their lives.

As identifying, recruiting and retaining talent will continue to be critical for banks as for all businesses, the role of the human resource within an organization will also be transformed. New business models will entail recruitment of talent that can use and steer new technologies and assume roles that create added value instead of handling operational tasks, along with teleworking models and flexible working principles.

The importance of the sustainability concept will be ever-increasing in view of threats including global climate change, rapid depletion of natural resources and growing income inequalities. As their effects become concrete, it will lead to higher awareness, and companies' strategies for doing business will be redefined in this sense. This tendency is also indicated in the 2019 statement, in which corporations redefined their "missions" and which was signed by approximately 200 CEOs, released by the Business Roundtable, where the senior executives of leading US companies are represented. The publicly disclosed statement underlined that the mission of corporations is no longer only about providing benefits to shareholders and making profit, but that they have the mission of creating value for their customers, employees, suppliers and the society at the same

time. In the future, investors, individuals and employees are anticipated to have increasing expectations from corporations, and public authorities are expected to take on a more active role in certain areas.

In addition, the European Green Deal announced by Ursula von der Leyen, the President of the European Commission, is projected to bear an important impact on the world economy and primarily on the European Union countries. Targeting to make the EU climate-neutral by 2050, this deal will affect numerous sectors from energy to transportation, and agriculture to technology. In particular, the Carbon Border Adjustment Mechanism that will be designed to prevent carbon leakage and to protect the competitive strength of EU companies will likely have a transformative effect on the companies doing exports ex-Turkey to the EU. Similarly, costs incurred by companies are projected to increase in connection with the higher product standards to be introduced by the EU for foreign trade within the frame of the circular economy transition objectives.

In line with its notion of creating lasting value for all of its stakeholders and the future generations, Yapı Kredi bases all of the Bank's business areas on the sustainability concept. By becoming a founding signatory of UNEP FI Principles for Responsible Banking in 2019, the Bank underlined its goal of being among the banks leading the sustainability agenda. Supporting Turkey's transition to a low-carbon economy and undertaking an important role in renewable energy financing in this direction, Yapı Kredi had a project finance energy portfolio that composed of renewable energy projects by 43% as at year-end 2019.

In a similar vein, the Bank redesigns its processes using technology in line with paperless banking principle. Following the first green bond issuance that took place in January 2020, the Bank will be expanding its sustainable and innovative product portfolio in the future. All these initiatives of the Bank aimed at creating shared value with its stakeholders will continue and further increase in the coming years.





# APPENDICES

## CORPORATE MEMBERSHIPS AND INITIATIVES

- Advertisers' Association / RVD
- Corporate Communication Professionals Association / KİD
- Corporate Governance Association of Turkey / TKYD
- Corporate Volunteers Association / ÖSGD
- Credit Reference Agency / KKB
- Equality at Work Platform and Declaration
- Ethics and Reputation Society / TEİD
- Family Health and Planning Foundation of Turkey / TAPV
- Financial Literacy and Access Association / FODER
- For My Country Project
- Foreign Economic Relations Board / DEİK
- Foundation for Economic Research / İAV
- Global Compact Turkey
- United Nations Environment Programme Finance Initiative / UNEP FI
- Institute of International Finance / IIF
- Interbank Card Center / BKM
- Integrated Reporting Turkey Network/ ERTA
- International Chamber of Commerce - Turkey / ICC
- İstanbul Foundation for Culture & Arts / İKSV
- İzmir Foundation for Culture & Arts / İKSEV
- Learning and Development Association of Turkey / TEGEP
- The Banks Association of Turkey/ BAT
- Turkish Foreign Trade Association / TURKTRADE
- Turkish Industry and Business Association / TÜSİAD
- Turkish Investor Relations Society / TÜYİD
- Turkish Marine Environment Protection Association / TURMEPA
- Visa Colorful Horizons / I Can Manage My Money Program
- Women's Empowerment Principles / WEPs

# 2019 AWARDS

Category/Ranking		Organization
<b>General Banking</b>		
Yapı Kredi	Domestic Best Service	Euromoney Trade Finance Survey 2019
	Best Retail Banking Turkey	Global Banking & Finance Awards 2019
	Best SME Banking	
	Best Private Banking	
	"Best Digital Bank Turkey" Country Winner	
	"Best Digital Corporate Bank Turkey" Country Winner	Global Finance
	"Digital Bank with Best Bill Payment and Presentment in Europe" Regional Subcategory Winner	
	"Digital Bank with Best Open Banking APIs in Europe" Regional Subcategory Winner	
	"Corporate Digital Bank with Best Online Treasury Services in Europe" Regional Subcategory Winner	
	"Business or Competitive Intelligence Solution" Bronze	Stevie
	Achievement in Customer Excellence/Private Banks Category - Gold	Şikayetvar.com - A.C.E Awards 2019 (Achievement in Customer Excellence)
1915 Çanakkale Bridge and Malkara-Çanakkale Highway Project	Project Finance Deal of the Year - 1 <sup>st</sup> Prize	Bonds&Loans Awards Turkey
1915 Çanakkale Bridge and Malkara-Çanakkale Highway Project	Infrastructure Finance Deal of the Year - 1 <sup>st</sup> Prize	
Ankara-Niğde Highway Project	Transport Finance Deal of the Year - 1 <sup>st</sup> Prize	
Akfen Renewable Energy Syndicated Loan Transaction	ECA/Export Finance Deal of the Year - 1 <sup>st</sup> Prize	
Menzelet Kılavuzlu HEPP Project	M&A/Acquisition Finance Deal of the Year- 1 <sup>st</sup> Prize	
FOCA Project	EFMA Accenture Innovation of the Month Award	EFMA Accenture Distribution & Marketing Innovation Awards
<b>Alternative Delivery Channels</b>		
Customer Relations Center	Best Use of Technology / Silver Stevie	Stevie
Call Center	'Best Call Center with 500+ Seats'	IMI - Turkey Call Center Awards
	'Best Technology'	
	'Best Training Program'	
	Do Not Panic Button - "Product and Service Innovation Category", "Banks" 1 <sup>st</sup> Prize	
Yapı Kredi Mobile	"Mobile Sites & Apps / Banking"	Stevie
	"Best User Experience" / Award of Distinction	The Communicator Awards
	"Integrated Mobile Experience" / Award of Distinction	
	"Best User Interface" / Award of Distinction	
	"Best Visual Design - Function" / Award of Distinction	
	"Best Visual Design-Aesthetic" / Award of Distinction	
	"Best Practices" / Award of Distinction	
	"Experimental & Innovative" / Award of Distinction	
yapikredi.com.tr	"Websites Awards / Banking" Bronze	Stevie
	"Websites Awards / Financial Services" Bronze	
	"Banking / Bill Paying" / Award of Excellence	The Communicator Awards
	"User Experience" / Award of Distinction with yapikredi.com.tr	
	"User Interface" / Award of Distinction	
	"Web Site-Features-Best Practices" / Award of Distinction	
Yapı Kredi WhatsApp	Operating Model Master Category - 3 <sup>rd</sup> Prize	IDC Turkey Digital Transformation Awards
Yapı Kredi API Platform	Talent Accelerator Category - 1 <sup>st</sup> Prize	
Yapı Kredi WhatsApp Support Line	"Artificial Intelligence / Machine Learning Solutions" 1 Silver Stevie	Stevie
Remote Account Opening with Video Call	"Best New Product/Service of the Year/Financial Services" Bronze	

YKY Screen Time	"Sales Point Window/Exterior"	IMA
	"Sales Point Renovations "	
	"Direct Marketing Activities"	
	Mobile Platform Usage - Felis Award	Felis Awards
	Direct Marketing Activities Using Digital Platform - Achievement Award	
	Paradigm Changers (New Media) - Achievement Award	
	Use of Data-Based Insight - Achievement Award	
	Creative Use of Mobile Technology - Achievement Award	
	Social Responsibility / Culture and Arts- Achievement Award	
	Data-Driven Creative Direct Marketing - Achievement Award	
	Social Data and Insight: Crystal	Crystal Apple
Corporate Communications Management	Figital Projects Category - Prida Award	Prida
	Data Use Category - Certificate Award	
	Branded Content & Entertainment Product Placement or Brand Integration in E-Sport Games - Felis Award	Felis Awards
	Live Brand Experience and Promotion Practices (B2C) - Felis Award	
	Current Event-Oriented Marketing Activities - Achievement Award	
	Sports Communication - Achievement Award	
	Celebrity or Influencer Integration in Social Media - Achievement Award	
	Product Placement and Brand Integration in Digital Games - Achievement Award	
	Digital Platform Use - Achievement Award	IMA
	Innovative Media	
	Sports Communication	
May 19 <sup>th</sup> PUBG Procession	Occasion Communication Category - Prida Award	Prida
	Game-Changer Project Category - Prida Award	
	Long-lived Communication Category (5 Years and longer) - Prida Award	Prida
Colorful Pens		
Yapi Kredi Image Campaign	"Conventional Brand Communication "	IMA
Afife Awards - Sponsorship Management	Felis Award - Award of Achievement	
Let's Remove Obstacles Initiative	Social Responsibility and Sustainability Category Outdoor Media - Award of Achievement	Felis Awards
Flugtag Live Meme Project	Real-Time PR Activities - Award of Achievement	
"Science Migration to Anatolia"	"Positive Social Impact Category" - "Corporate Social Responsibility" Category / 1 <sup>st</sup> Prize	Sardis Awards
Advertising Film		
Afife Award Ceremony Video	"Corporate Communication Category" - "Event Management" Category / 1 <sup>st</sup> Prize	
Mapping		
Yapi Kredi Digitalent Young Talents Program Commercials	"Integrated Communication Segment"- "Banks" Category / 1 <sup>st</sup> Prize	
YouTube films for Silicon Valley Trip	"Digital Marketing Segment"- "Banks" Category/ 2 <sup>nd</sup> Prize	
Draw from Yapi Kredi		
<b>Subsidiaries</b>		
Yapi Kredi Factoring	"Best Export Factoring Company"/ 2 <sup>nd</sup> Prize	Factors Chain International (FCI)
	"Best Factoring Company Turkey 2019"	Global Banking & Finance Awards
Yapi Kredi Leasing	Turkey's Best Leasing Company	Global Banking & Finance Awards
Yapi Kredi Asset Management	Best Pension Fund Manager - Turkey, 2019	International Investor
	Best Portfolio Manager - Turkey 2019	
	Best Portfolio Manager - Turkey 2019	Global Brands Magazine
	World Finance Pension Funds Awards / Best Pension Fund / Turkey 2019	World Finance
	Business Excellence Award	The bizz Awards
Yapi Kredi Invest	Leader in Borsa İstanbul Equity Market Trading Volume	Turkish Capital Markets Association, Capital Markets Awards
	Leader in Market Share Increase in Borsa İstanbul Equity Market	
	Leader in Borsa İstanbul Derivatives Market Trading Volume	
	Leader in Market Share Increase in Borsa İstanbul Derivatives Market	
	"Websites Awards / Financial Services" Silver	
Yapi Kredi Invest - World of Investment	"Best New Product/Service of the Year / Financial Services" Silver	Stevie
Yapi Kredi Technology	'University & Industry Cooperation' in 'Middle Scale Companies' / 1 <sup>st</sup> Prize	Beetech Awards
	'National and International Supports' in 'Middle Scale Companies' / 1 <sup>st</sup> Prize	

# PERFORMANCE TABLES

## SOCIAL PERFORMANCE TABLES

Number of Employees					
2017		2018		2019	
Female	Male	Female	Male	Female	Male
11,569	6,898	11,390	6,711	10,655	6,463
2017		2018		2019	
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
18,196	271	17,976	125	16,963	155

Number of Subcontracted Employees					
2017		2018		2019	
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
2,744	154	2,606	160	2,559	148

Number of Employees by Gender and Age						
	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
50 and above	80	250	90	256	105	311
30-50	7,364	5,133	7,622	5,199	7,705	5,118
30 and below	4,125	1,515	3,678	1,256	2,845	1,034

Employee Turnover Rate						
	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Number of employees leaving within the year (personnel turnover)	1,328	814	1,456	778	1,388	723
50 and above	36	74	40	89	27	70
30-50	508	323	523	336	655	371
30 and below	784	417	893	353	706	282
Voluntary employee turnover rate [%]	5.23		4.80		4.20	

Number of Employees Taking Maternity Leave			
	2017	2018	2019*
Number of employees taking maternity leave	778	749	692
Number of employees returning to work after maternity leave	732	718	753
Number of employees that returned to work after maternity leave and worked at least 12 more months afterwards	-	-	750
Return-to-work rate after maternity leave %	94	96	96
Retention rate after maternity leave %	-	-	97

Number of Employees Entitled to Parental Leave					
2017		2018		2019	
Female	Male	Female	Male	Female	Male
11,569	6,898	11,390	6,711	10,655	6,463

\* Calculation methodology has been updated in accordance with GRI. For more information on the methodology, see the Reporting Guide section.

Average Hours of Training Per Employee						
	2017		2018		2019	
Annual average hours of training per employee [total hours of training/number of employees]	35		43.7		33.7	
Annual average hours of training per female employee	36		45.6		34.7	
Annual average hours of training per male employee	32		40.6		32	

Number of Employees Subject to Regular Performance and Career Development Assessments						
	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
	11,242	6,882	11,172	6,588	10,775	6,691

Equal Opportunity and Diversity (Number of managers and top level employees)						
	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
50 and above	43	112	58	125	59	149
30-50	775	976	753	961	744	936
30 and below	1	0	2	0	1	0

Number of Disabled Employees by Gender						
	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
	98	428	97	424	114	418

Number of Employees Covered by Collective Bargaining Agreements						
	2017		2018		2019	
Number of employees covered by collective bargaining agreements	10,394		9,974		9,350	

Occupational Health and Safety						
	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Number of fatal accidents	0	0	0	0	0	0
Total Injury Rate [IR]	0.28	0.14	0.43	0.26	0.48	0.18
Occupational Disease Rate [ODR]	0	0	0.03	0.03	0.17	0.08
Lost Day Rate [LDR]	0.53	1.09	0.95	2.94	3.36	2.59
Absence Rate [AR]	603.1	286.2	581	309	730	347

OHS Trainings						
	2017		2018		2019	
Percentage of hours allocated to occupational health and safety trainings [%]	5		7		2	

## PERFORMANCE TABLES

## ENVIRONMENTAL PERFORMANCE TABLES

Energy Consumption [GJ]	2017	2018	2019 <sup>12</sup>
Natural gas	189,742	123,680	122,871
Electricity	394,055	336,160	356,890
Diesel	1,587	1,903	12,094 <sup>13</sup>
Total	585,384	461,743	491,855
Energy Intensity [GJ/number of FTE <sup>14</sup> ]	31.70	25.39	28.45
Greenhouse Gas Emissions <sup>15</sup> (ton CO <sub>2</sub> e)	2017	2018	2019
Scope 1	15,975	14,665	17,249
Scope 2	54,183	46,218	41,338
Total [Scope 1 and 2]	70,158	60,883	58,587
Scope 3	15,520	13,666	13,562
Total [Scope 1, 2 and 3]	85,678	74,549	72,149
Emissions Intensity [Scope 1 and 2/ number of FTE employees]	3.80	3.34	3.39
Water Consumption [m <sup>3</sup> ]	2017	2018	2019
Municipal water	307,049	332,895	273,569
Underground water	5,553	5,338	6,220
Rain water	0	0	133
Others <sup>16</sup>	1,286	622	702
Amount of waste water [m <sup>3</sup> ]	313,889	338,855	280,624
Water Intensity [m <sup>3</sup> / number of FTE employees]	17	18.68	16.23
Waste [ton]	2017	2018	2019
<b>Hazardous wastes</b>			
Recycled	27.21	85.88	390.23
Disposed of [using D-code methods]	0.66	0.73	0.27
Recycled for energy generation	0	0	3.24
<b>Non-hazardous wastes</b>			
Recycled	1,491	1,351	1,435.79
Recycled for energy generation	0	0	10.94

<sup>12</sup> In 2019, reporting scope was expanded to include energy consumption by regional office buildings, vault, storage areas and all ATMs under the Bank's administrative control in total consumption figure, which were excluded in previous years. 2019 consumption is 445,927 GJ in terms of the 2018 scope.

<sup>13</sup> In 2019, the reporting scope was expanded to include the fuel oil consumption [diesel oil] by generators in branches and regional office buildings in total consumption figure, which were excluded in previous years.

<sup>14</sup> Full Time Equivalent (FTE) number for 2019 is 17,286.

<sup>15</sup> Greenhouse gas emissions are calculated using the GHG Protocol. Scope 3 emissions include employee commuting, business trip flights and paper consumption.

<sup>16</sup> The quantity of drinking and tap water purchased by truckloads for Head Office and facility buildings.



# INTEGRATED REPORT CONTENT ELEMENTS



IIRC Framework Content Elements	Yapı Kredi 2019 Integrated Report Headings
Organizational Overview and External Environment	About Yapı Kredi
Governance	Corporate Governance
Business Model	Business Model and Strategy
Risks and Opportunities	Trends and Their Implications for the Sector Risk Management
Strategy and Resource Allocation	Business Model and Strategy
Performance	About Yapı Kredi Responsible Growth Customer-Centric and Innovative Banking Performance Tables
Outlook	Outlook
Basis of Preparation and Presentation	About the Report Reporting Guidance

## UN GLOBAL COMPACT AND WEPs REPORTING INDEX

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# INDEPENDENT ASSURANCE STATEMENT



## Independent Assurance Statement

To the Board of Directors of Yapı ve Kredi Bankası A.Ş.,  
Istanbul, Turkey

This Assurance Statement (hereinafter 'the Statement') is intended solely for the management of Yapı ve Kredi Bankası A.Ş. (hereinafter 'Yapı Kredi' or 'the Company'), for the purpose of reporting on the 'Selected Information in its 2019 Integrated Report (hereinafter 'the Report') that has been prepared by the Company for the year ended 31 December 2019.

### Subject Matter Information and Applicable Criteria

We were engaged by the Company to provide limited assurance on the indicators listed below and included in the Report annexes as 'Reporting Guidance'.

### The scope of our assurance

The scope of our assurance is limited to the indicators listed in the Selected Information list shown below, which has been prepared based on key, economic, environmental and social indicators for the relevant facilities in Turkey.

### List: Selected Information:

#### Key Indicators

- Members of Sustainability Management Structure
- Number of projects assessed within the scope of the Environmental and Social Risk Assessment system
- Number of projects rejected within the scope of the Environmental and Social Risk Assessment system
- The risk categorization of assessed projects within the scope of the Environmental and Social Risk Assessment System
- Amounts of credit allocations to renewable energy projects, by type, during the reporting period
- Installed capacities of financed renewable energy projects
- Total environmental protection investments and outlays (non-GRI)

#### Economic Indicators

- Direct economic value generated and distributed
- The scope of defined benefit plan obligations
- Financial assistance received from the government
- Corruption and bribery risk assessment of operations
- Communication and training on anti-bribery and anti-corruption practice program; the number of

employees given anti-bribery and anti-corruption training and total hours of training

- The number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices

#### Environmental Indicators

- Energy consumption within the organization (GJ)
- Energy intensity (GJ/number of FTE employees)
- Water consumption by source (m3)
- Scope 1 GHG Emissions (tCO2e)
- Scope 2 GHG Emissions (tCO2e)
- Scope 3 GHG Emissions (tCO2e) (air travel, paper consumption, personnel services)
- GHG emissions intensity within the organization (tCO2e/number of FTE employees)
- Quantity of waste collected and disposed of (tonnes)
- Monetary value of fines received on account of noncompliance with the Environmental Law and regulations

#### Social Indicators

- Number of employees entitled to parental leave
- Number of employees that took maternity leave
- Number of employees that returned to work after maternity leave
- Number of employees that continued to work for the Bank for at least 12 months after returning to work following maternity leave
- Accidents and accident rates by type; occupational diseases, lost days, and absenteeism and number of work-related casualties
- Average hours of training per employee by gender
- Incidents of discrimination and corrective actions taken
- Operations in which the right to freedom of association and collective bargaining are hindered or may be at risk
- Operations and suppliers at significant human rights risk for incidents of child labor
- Operations and suppliers at significant human rights risk for incidents of forced and compulsory labor
- Total hours of training on human rights and policies

### The Company's Responsibilities

The Company's management is responsible for the preparation, collection and presentation of the Selected Information. In addition, the Company's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company's

*Convenience translation of assurance statement  
originally issued in Turkish*



management is also responsible for maintaining the internal control system that reasonably ensures that the documentation and information described above is free from material misstatements, whether due to fraud or error.

**Our Responsibilities**

We conducted our assurance engagement in accordance with International Assurance Standards, particularly International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Selected Information.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement and therefore the assurance level attained are limited compared with that of a reasonable assurance engagement.

The procedures selected depend on the practitioner's judgment. The procedures include, in particular, inquiry of the personnel responsible for collecting and reporting on the Selected Information and additional procedures aimed at obtaining evidence about the Selected Information.

In respect of the Selected Information mentioned above the procedures performed include the following procedures:

1. Interviewed select key senior personnel of the Company to understand the current processes in place for capturing the Selected Information pertaining to the reporting period;
2. Reviewed Selected Information on site covering Yapı Kredi Levent Plaza D Blok in Istanbul and office in Gebze, Kocaeli (YKBÜ) as well as off-site review of the Selected Information pertaining to the Company's other locations in Turkey, against evidence, on a sample basis;

3. Undertook substantive testing, on a sample basis, of the Selected Information;
4. Used the Company's internal documentation to evaluate and measure the Selected Information;
5. Evaluated the design and implementation of key processes and controls over the Selected Information;
6. Re-performed, on a sample basis, calculations used to prepare the Selected Information for the reporting period.
7. Evaluated the disclosure and presentation of Selected Information in the Report.

**Our conclusion**

As a result of our procedures, nothing has come to our attention that indicates the Selected Information reviewed for the year ended 31 December 2019 is not prepared in all material respects in accordance with the 'Reporting Guidance' in the Report.

**Our assurance team**

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant companies in Turkey and internationally.

We permit this report to be disclosed in Yapı ve Kredi Bankası A.Ş.'s Integrated Report for the year ended 31 December 2019, to enable the Directors of Yapı ve Kredi Bankası A.Ş. to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Yapı ve Kredi Bankası A.Ş. for our work or this Statement except where terms are expressly agreed between us in writing.

for Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik

A. Ş.

A member firm of Ernst & Young Global Limited

Zeynep Okuyan Özdemir, SMMM

Partner

İstanbul, 19.06.2020

# REPORTING GUIDANCE

## 1. General Principles and Scope

The reporting guidance provides information about the data, methodology and definitions with regard to independent limited assurance indicators contained in the 2019 Integrated Report of Yapı ve Kredi Bankası A.Ş. and its affiliated domestic subsidiaries [Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Asset Management and Yapı Kredi Invest] ["Yapı Kredi" or "the Bank"]. The data herein are prepared in accordance with the principles of consistency and reliability. The data reporting process is based on understandability, comparability year-over-year, and transparency. Unless otherwise stated, the data in the reporting guidance cover the data for Yapı ve Kredi Bankası A.Ş. and Yapı Kredi's affiliated domestic subsidiaries for the period from 1 January 2019 through 31 December 2019.

## 2. Scope of Limited Assurance Statement

Limited assurance has been obtained from Güney Serbest Muhasebe Mali Müşavirliği A.Ş. [Ernst & Young-EY], an independent audit company, for the below mentioned data for the period from 1 January 2019 through 31 December 2019.

### Key Indicators

- Structure of Sustainability Management
- Number of projects assessed/rejected and the risk categorization of assessed projects within the scope of the ESRA System implemented for financed projects during the reporting period
- Amounts of credit allocations to renewable energy projects, by type, during the reporting period
- Installed capacities of financed renewable energy projects, by type, during the reporting period
- Total environmental protection investments and outlays

### Economic Indicators

- Corruption and bribery risk assessment of operations
- Communication channels related to the anti-bribery and anti-corruption program; and the number of employees given anti-bribery and anti-corruption training and total training hours of training
- Legal action for anti-competitive behavior, anti-trust and monopoly practices
- Direct economic value generated and distributed
- Defined benefit plan obligations
- Financial assistance received from government

### Environmental Indicators

- Energy consumption within the organization [GJ]
- Energy intensity [GJ/number of FTE employees]
- Water consumption by source [m<sup>3</sup>]
- Scope 1 GHG Emissions [tCO<sub>2</sub>e]
- Scope 2 GHG Emissions [tCO<sub>2</sub>e]
- Scope 3 GHG Emissions [tCO<sub>2</sub>e]
- GHG emissions intensity within the organization [tCO<sub>2</sub>e/number of FTE employees]
- Quantity of waste collected, recycled and disposed of
- Monetary value of fines received on account of noncompliance with the Environmental Law and regulations

### Social Indicators

- Accidents and accident rates by type; occupational diseases, lost days, and absenteeism and number of work-related casualties
- Average hours of training per employee by gender
- Incidents of discrimination and corrective actions taken
- Operations in which the right to freedom of association and collective bargaining are hindered or may be at risk
- Operations and suppliers at significant human rights risk for incidents of child labor
- Operations and suppliers at significant human rights risk for incidents of forced and compulsory labor
- Total hours of training on human rights policies and practices
- Number of employees entitled to parental leave
- Number of employees that took maternity leave
- Number of employees that returned to work after maternity leave
- Number of employees that continued to work for the Bank for at least 12 months after returning to work following maternity leave
- Return-to-work rate after maternity leave
- Retention rate after maternity leave

### 3. Definitions of Indicators and Data

#### Key Indicators

- **Structure of sustainability management:** The organization, members and meetings of the Sustainability Committee, which is the highest body within the Sustainability Management System of Yapı Kredi.
- **Number of projects assessed/rejected, and the risk categorization of assessed projects, within the scope of the ESRA System implemented for financed projects during the reporting period:** Number of projects assessed/rejected under the Yapı Kredi Environmental and Social Risk Assessment [ESRA] System applied to all investments, project finance loans and projects entailing financial advisory services with an investment amount of USD 10 million and above financed during the reporting period, and classification of assessed projects as Category A [high risk], Category B [moderate risk] and Category C [low risk].
- **Amounts of credit allocations to renewable energy projects, by type, during the reporting period:** Amount of loans allocated to renewable energy projects during the reporting period within the scope of project finance.
- **Installed capacities of financed renewable energy projects, by type, during the reporting period (MW):** Total energy generation capacities of power plants in renewable energy projects financed during the reporting period.
- **Total environmental protection investments and outlays:** The cost of investments to the Bank during the reporting period for energy/water/resource efficiency efforts on project basis at the Bank's premises, which are aimed at mitigating and keeping under control internal environmental impact, regulatory compliance requirements, emission reduction, waste management, environmental protection efforts, environmental reporting, awareness initiatives, NGO sponsorships and sustainability/environmental certification efforts as part of the environmental management system activities.

#### Economic Indicators

- **Corruption and bribery risk assessment of operations:** Actions taken and policies implemented during the reporting period by the Bank for combating bribery and corruption, along with the assessment process of risks emerging in this respect.
- **Communications concerned with Anti-Bribery and Anti-Corruption Program:** The Bank's communications in relation to Anti-Bribery and Anti-Corruption Program on in-house platforms and as part of internal communications during the reporting period.
- **The number of employees given anti-bribery and anti-corruption training and total hours of training:** Number of employees' singular participation in training programs provided by the Bank in relation to combating bribery and corruption, and the total duration of these trainings during the reporting period.
- **Legal action for anti-competitive behavior, anti-trust and monopoly practices:** Number of legal actions in progress against the decisions of the Competition Board in relation to anti-competitive behavior, anti-trust and monopoly practices.

#### Environmental Indicators

- **Energy consumption within the organization [GJ]:** Total energy purchased by the Bank during the reporting period. Energy consumption data include the electricity, natural gas and fuel oil consumptions for the Bank's electrical installations, heating, lighting, ventilation, generator, etc.
- **Energy intensity [GJ/ number of FTE employees]:** The intensity calculated by dividing total energy consumption by the number of the Bank's FTE employees.

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- **Water consumption by source (m<sup>3</sup>):** Water consumptions mean the Bank's consumptions including mains water, underground water, drinking and tap water purchased by truckloads, and rainwater. Mains water covers water purchased from third party providers; underground water covers the water drawn from the wells in Yapı Kredi Banking Base and Darica Administrative and Archive Building; rainwater covers the rainwater collected by the Darica Administrative and Archive Building. Drinking water purchased by truckloads is used as drinking water in the cafeterias and cafés located in Yapı Kredi Plaza D Block, Yapı Kredi Banking Base and Bayramoğlu Training facilities. Tap water purchased by truckloads, on the other hand, is used in lavatories, cafeteria washing areas across the facility in case of mains water outages or for garden irrigation purposes when well water is insufficient.
- **Scope 1 GHG Emissions (tCO<sub>2</sub>e):** Scope 1 GHG emission data covers the Bank's natural gas and fuel oil consumption [GHG emission associated with stationary combustion], fuel [fuel oil and natural gas] consumption of vehicles owned by the Bank [GHG emission associated with mobile combustion] and refrigerant gases [HCF-134a, HCF-407c, HCF-410a, HCF-404a, HCF-227ea, Aerosol [Butane-Propane Blend] and CO<sub>2</sub>] [fugitive emissions].
- **Scope 2 GHG Emissions (tCO<sub>2</sub>e):** Scope 2 emission data covers consumption of purchased electricity [indirect emissions from energy].
- **Scope 3 GHG Emissions (tCO<sub>2</sub>e):** Scope 3 emission data covers domestic and international air travel across the Bank, Bank-wide paper consumption and fuel consumption for employee commuting at the Bank's selected locations [Head Office and service buildings, regional offices and branch buildings, Samsun Communication Center, İzmir Communication Center].
- **GHG emission intensity within the organization [Scope 1 and Scope 2/number of FTE employees]:** Intensity is calculated by dividing Scope 1 and Scope 2 emissions by the number of the Bank's FTE employees. Since Scope 3 emission, by definition, refers to greenhouse gas emissions resulting from energy resources owned or controlled by other organizations as a result of the Bank's operations, it was not included in the Bank's emission intensity calculation.
- **Quantity of waste collected, recycled and disposed of:** The quantity of waste collected, included in recovery/recycling and disposal processes during the reporting period. The waste collected, sent for recovery/recycling during the reporting period refers to the quantity of hazardous, non-hazardous and other waste resulting from the operations of Yapı Kredi Plaza D Block, Yapı Kredi Banking Base, Darica Administrative and Archive Buildings of the Bank, and the quantity of medical waste generated at Yapı Kredi Plaza D Block, Yapı Kredi Banking Base, Samsun Communication Center and İzmir Communication Center Healthcare Centers. Medical waste is disposed of using various methods involving special engineering, such as landfilling, physical/chemical treatment and open-air burning.
- **Monetary value of fines received on account of noncompliance with Environmental Law and regulations:** Amount of administrative fine imposed by the Republic of Turkey Ministry of Environment and Urbanization on account of failure to achieve compliance in the Bank's operations with the Environmental Law no. 2872 and ancillary regulations.

### Social Indicators

- **Total number of employees:** Number of the employees of Yapı Kredi [full-time and part-time] excluding contractors as at 31 December 2019.
- **Accidents and accident rates by type, occupational diseases, lost days and absenteeism and number of work-related casualties:**

**Injury Rate (IR):** Calculated based on work-related injuries and total time worked during the year and using the formula "Total Injuries/[Total Hours Worked - Hours Lost] \* 200,000".

**Occupational Disease Rate (ODR):** Calculated based on temporary or permanent diseases sustained due to a recurrent cause arising from the nature of the work or job or due to conditions of work and total hours worked, and using the formula "[Total Incidents of Occupational Diseases \* 200,000]/Total Hours Worked".

**Total Lost Days Rate (LDR):** Calculated based on the number of lost days because of workplace accidents and total time worked, and using the formula "[Total Number of Lost Days \* 200,000]/Total Hours Worked".

**Absentee Rate (AR):** Calculated based on absentee days lost and total hours worked, and using the formula "[Actual Absentee Days Lost \* 200,000]/Total Days Scheduled to be Worked by Workers for the Same Period".

- **Average hours of training per employee by gender:** Calculated based on the total training hours provided by the Bank to employees during the reporting period. Calculations are made by dividing total hours of training provided to employees during the year by total number of employees. Number of employees who received training is based on singular participation figures.
- **Number of singular participation in training programs:**  
Each employee who received one or more training programs in a given topic during the reporting period is calculated as a single incident of participation.
- **Incidents of discrimination and corrective actions taken:**  
Confirmed incidents of discrimination during the reporting period and the policy established and actions taken by the Bank against discrimination.
- **Operations in which the right to freedom of association and collective bargaining are hindered or may be at risk:** Policies established and actions taken to prevent the risk of hindrance of the freedom of association and collective bargaining in the Bank's operations and suppliers during the reporting period.
- **Operations and suppliers at significant human rights risk for incidents of child labor:** Policies established and actions taken to prevent the risk of child labor or juvenile labor in the Bank's operations and suppliers during the reporting period.
- **Operations and suppliers at significant human rights risk for incidents of forced or compulsory labor:** Policies established and actions taken to prevent the risk of forced and compulsory labor in the Bank's operations or suppliers during the reporting period.
- **Employee training on human rights policies or procedures:**  
Singular number of participation in human rights trainings provided by the Bank during the reporting period and the total hours of such trainings.
- Total hours of training on human rights policies and practices
- Number of employees entitled to parental leave
- Number of employees that took maternity leave
- Number of employees that returned to work after maternity leave

- Number of employees that continued to work for the Bank for at least 12 months after returning to work following maternity leave

#### • Parental/Maternity Leaves

**Number of employees entitled to parental leave:** Number of employees entitled to parental leave under their employment contract, should they request to do so.

**Number of employees that took maternity leave:** Number of employees that took maternity leave during the reporting period.

**Number of employees that returned to work after maternity leave:** Number of employees that returned to work following maternity leave during the reporting period.

**Number of employees that continued to work for the Bank for at least 12 months after returning to work following maternity leave:** Number of employees that returned to work one year prior to the reporting year and still worked for the Bank in 2019.

**Return-to-work rate after maternity leave:** Number of employees that returned to work during the reporting period and that remained with the Bank during the reporting period divided by number of employees that returned to work during the reporting period.

**Retention rate following maternity leave:** Number of employees that returned to work after maternity leave and remained with the Bank for at least 12 months thereafter divided by number of employees that returned to work in the year immediately preceding the reporting period.

## 4. Preparation of Data

### Energy Consumption

Energy consumption data cover consumptions of electricity, natural gas, and diesel oil. The electricity amount was derived from the bills for selected head office buildings (Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Administrative and Archive Building, Bayramoğlu Building and Yeniköy Koru Building), and from the consumption amounts received from third-party providers for locations whose bills were not received. The consumption data that could not be supplied from third-party providers were calculated by dividing the annual electricity payment for a given location based on the Bank's SAP System by the average unit price for locations with available electricity data and cost.



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Amount of natural gas consumption was derived from the bills for selected head office buildings [Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Administrative and Archive Building, Bayramoğlu Building and Yeniköy Koru Building], and from the consumption amounts received from third-party providers for locations whose bills were not received. The consumption data that could not be supplied from third-party providers were calculated by dividing the annual natural gas payment for a given location based on the Bank's SAP System by the average unit price for locations with available natural gas data and cost.

Amount of fuel oil consumption was calculated based on the bills of service providers. At locations whose bills are unavailable, it was calculated by dividing the annual amount paid for generator fuel on the basis of locations based on the Bank's SAP system by the average unit price for locations with available fuel oil data and cost.

### The Bank used the following conversion factors for calculating its energy consumptions:

- Energy conversion is not necessary as electricity supply unit is billed in kWh [kilowatt-hour].
- Since natural gas supply unit is billed in Sm<sup>3</sup> [standard cubic meter], kWh energy conversion was calculated using the Sm<sup>3</sup> natural gas=10.64 kWh conversion.
- Density and conversion coefficient values for gasoline and diesel oil were derived from the Regulation on Improving Efficiency in Energy Resources and Energy Use" [Official Gazette: 27 October 2011/28097, Amended 14 March 2020-31068], App. 2 Table – Lower Heating Value and Oil Equivalent Conversion Factors for Energy Resources
- Global Warming Potential Values are based on "IPCC Fifth Assessment Report, 2014 [AR5]". [IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change]
- 1 kWh=0.0036 GJ conversion factor is used for converting all kWh values into GJ.
- Amount of natural gas consumption is demanded to be provided in Sm<sup>3</sup> from third-party providers. Therefore, when converting Sm<sup>3</sup> into kWh, m<sup>3</sup> to kWh conversion factor varies depending on three factors under the natural gas billing communiqué published by the Energy Market Regulatory Authority [EMRA]: altitude [atmospheric pressure], type of natural gas, and the characteristics of the gas blend. According

to the values specified by the EMRA in the communiqué, the amount of energy from the consumption of 1 m<sup>3</sup> natural gas, which is 10.64 kWh, is regarded as the standard value. To calculate the energy consumption that will form the basis of the bill in terms of kWh, 1 Sm<sup>3</sup> natural gas equals 10.64 kWh conversion was used.

### Greenhouse Gas Emissions

Greenhouse gas [GHG] emissions are calculated by the Bank using published conversion factors. Conversion factors help determine the amount of GHG emissions released into the atmosphere per unit of energy consumption. Different types of energy resources have different conversion factors representing carbon density. In time, conversion factors may be updated to reflect the changes/improvements in the factors published.

### The Bank used the following conversion factors for calculating its GHG emissions:

- Conversion factors for fuels [natural gas, diesel oil, gasoline, etc.] were derived from the data provided by the Intergovernmental Panel on Climate Change [IPCC]. The references used were IPCC Guidelines for National Greenhouse Gas Inventories Chapter 2: Stationary Combustion- Volume 2: Energy, Intergovernmental Panel on Climate Change 2006 Table 2.2. Default Emission Factors for Stationary Combustion in the Energy Industries Table 2.3. Default Emission Factors for Stationary Combustion in Manufacturing Industries and Construction.
- Electricity conversion factor was based on the emission factor for electricity defined for Turkey by the International Energy Agency-IEA]. A confirmation letter was obtained from the supplier company in relation to the use of renewable energy, and GHG emission factor for electricity was taken as "0" [zero].
- Conversion factors for refrigerants and aerosol was based on the IPCC Fifth Assessment Report, the section titled Global Warming Potentials - [Table] Direct [Except For CH<sub>4</sub>] Global Warming Potentials [GWP] Relative to CO<sub>2</sub> IPCC Fifth Assessment Report, 2014 [AR5]-Chapter [8 and 2]", and for refrigerant blends, they were based on the refrigerant blends rates specified at the address "<https://www.ashrae.org/technical-resources/standards-and-guidelines/ashrae-refrigerant-designations>". R12 and R22 refrigerants are not designated as refrigerants creating GHG impact by the IPCC; hence, they were not calculated for purposes of conformity to the methodology.

- Conversion factors for paper consumption in Scope 3 GHG emissions calculations were based on the emission factors in the “DEFRA [Department for Environment, Food and Rural Affairs] 2019 Emission Factors. Emission factors in Scope 3 - Material Use” study (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019>) were used.
- Air travel distances in Scope 3 GHG emissions calculations were based on International Civil Aviation Organization (ICAO) Carbon Emissions Calculator (<https://applications.icao.int/icec>) of ICAO. Conversion factors for business flights in Scope 3 GHG emissions calculations were based on “DEFRA 2019 Emission Factors. Scope 3 Business Travel-Air” (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019>). In air travel, short-haul is defined as [<500 km], medium-haul as [>=500 km and <1,600 km] and long-haul as [>1,600 km]. RF [radiative forcing] is included in calculations.
- Conversion factor for employee commuting vehicles in Scope 3 GHG emissions was based on the IPCC data.
- Conversion coefficient for natural gas, electricity, gasoline and diesel fuel [kg/lt] was derived from the Regulation on Improving Efficiency in Energy Resources and Energy Use” [Official Gazette: 27 October 2011/28097, Amended 14 March 2020-31068], App. 2 Table – Lower Heating Value and Oil Equivalent Conversion Factors for Energy Resources.

## Water Consumption

Amount of mains water consumption is derived from the bills for selected head office buildings (Yapı Kredi Plaza-A/C/D Blocks, Yapı Kredi Banking Base, Darıca Administrative and Archive Building, Bayramoğlu Building and Yeniköy Koru Building), and from the consumption amounts received from third-party providers for locations whose bills were not received. The consumption data that could not be supplied from third-party providers were calculated by dividing the annual water payment for a given location based on the Bank’s SAP System by the average unit price for locations with available water data and cost.

Amount of well water is calculated based on the bill issued to Yapı Kredi Banking Base, Darıca Administrative and Archive Building.

Amount of rainwater is calculated as the difference between well water meter installed by the İzmit Water and Sewerage Administration (İSU) at Darıca Administrative and Archive Building and the in-house tracking meter of the facility.

## 5. Restatement

Measuring and reporting energy consumption and GHG emission data inevitably incorporate projections to some degree. Restatement can be considered in case of a change in data in excess of 5% at the Bank level.

## GRI CONTENT INDEX



GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions	Sustainable Development Goals
<b>GRI 101: Foundation 2016</b>				
<b>General Disclosures</b>				
<b>GRI 102: General Disclosures 2016</b>	<b>Organizational Profile</b>			
	102-1	1		
	102-2	6-7, 12-15		
	102-3	<a href="https://www.yapikredi.com.tr/en/">https://www.yapikredi.com.tr/en/</a>	-	
	102-4	6		
	102-5	6-7		
	102-6	6		
	102-7	6-7		
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	<b>Strategy</b>			
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	<b>Governance</b>			
	102-18	34-37		
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	<b>Stakeholder Engagement</b>			
	102-40	20		
	102-41	101		
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	102-44	19		
	<b>Reporting Practice</b>			
	102-45	10		
	102-46	18, 19		
	102-47	18, 19		
	102-48	None		
	102-49	1		
	102-50	1		
	102-51	1		
	102-52	1		
	102-53	116		
	102-54	1		
	102-55	111-114		
	102-56	104-105		

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. This service was provided for the Turkish version of the report.

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions	Sustainable Development Goals
<b>GRI 200: Economic Standard Series</b>				
<b>Economic Performance</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	10		
	103-2	10		
	103-3	10		
<b>GRI 201: Economic Performance 2016</b>	201-1	<a href="https://www.yapikrediinvestorrelations.com/en/financial-information/financial-information-reports-year-document-list/Annual-Reports/50/0/0">https://www.yapikrediinvestorrelations.com/en/financial-information/financial-information-reports-year-document-list/Annual-Reports/50/0/0</a> (p. 264-275)		8, 10, 12
	201-3	<a href="https://www.yapikrediinvestorrelations.com/en/financial-information/financial-information-reports-year-document-list/Annual-Reports/50/0/0">https://www.yapikrediinvestorrelations.com/en/financial-information/financial-information-reports-year-document-list/Annual-Reports/50/0/0</a> (p. 290-291)		
	201-4	<a href="https://www.yapikrediinvestorrelations.com/en/financial-information/financial-information-reports-year-document-list/Annual-Reports/50/0/0">https://www.yapikrediinvestorrelations.com/en/financial-information/financial-information-reports-year-document-list/Annual-Reports/50/0/0</a> (p. 264-275)	-	
<b>Anti-Corruption</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	44-45		
	103-2	44-45		
	103-3	44-45		
<b>GRI 205: Anti-Corruption 2016</b>	205-1	40-45		
	205-2	44-45		
	205-3	38, 45		
<b>Anti-Competitive Behavior</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	38		
	103-2	38		
	103-3	38		
<b>GRI 206: Anti-Competitive Behavior 2016</b>	206-1	There were two legal actions in progress against the Competition Board decisions regarding anti-competitive behavior, anti-trust and monopoly practices in 2019. One of these actions came to a conclusion in 2020, whereas the second one is being tried by the Council of State.		
<b>GRI 300: Environmental Standard Series</b>				
<b>Energy</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	58		
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<b>GRI 302: Energy 2016</b>	302-1	102		12, 13
	302-3	102		12, 13
<b>Water</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	58, 59		
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<b>GRI 303: Water 2016</b>	303-3	102		12

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GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions	Sustainable Development Goals
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	103-2	58, 59, 61		
	103-3	59		
<b>GRI 305: Emissions 2016</b>	305-1	102		12, 13
	305-2	102		12, 13
	305-3	102		12, 13
	305-4	102		12, 13
	305-5	59		
<b>Effluents and Waste</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	60		
	103-2	60, 61		
	103-3	60		
<b>GRI 306: Effluents and Waste 2016</b>	306-2	102		12
<b>Environmental Compliance</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	58		
	103-2	58, 61		
	103-3	58		
<b>GRI 307: Environmental Compliance 2016</b>	307-1	No administrative fines were received on account of noncompliance with the Environmental Law and ancillary regulations.		
<b>GRI 400: Social Standard Series</b>				
<b>Employment</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	87		
	103-2	87		
	103-3	87		
<b>GRI 401: Employment 2016</b>	401-1	100		8
	401-3	100		8
<b>Occupational Health and Safety</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	91		
	103-2	91		
	103-3	91		
<b>GRI 403: Occupational Health and Safety 2016</b>	403-1	91		8
	403-2	101		8
<b>Training and Education</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	87		
	103-2	87		
	103-3	87		
<b>GRI 404: Training and Education 2016</b>	404-1	87		5, 8
	404-2	87-89		8
	404-3	101		5, 8

GRI Standard Number	Disclosures	Page Number/Direct Reference	Omissions	Sustainable Development Goals
<b>Diversity and Equal Opportunity</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	86		
	103-2	86		
	103-3	86		
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1	101		8
<b>Non-Discrimination</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	86		
	103-2	86		
	103-3	86		
<b>GRI 406: Non-Discrimination 2016</b>	406-1	86		
<b>Freedom of Association and Collective Bargaining</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	86		
	103-2	86		
	103-3	86		
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1	No incidents putting freedom of association and the right to collective bargaining at risk were observed.		
<b>Child Labor</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	45		
	103-2	45		
	103-3	45		
<b>GRI 408: Child Labor 2016</b>	408-1	No incidents of child labor were encountered.		
<b>Forced or Compulsory Labor</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	45		
	103-2	45		
	103-3	45		
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1	No incidents of forced or compulsory labor were encountered.		
<b>Human Rights Assessment</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	45		
	103-2	45		
	103-3	45		
<b>GRI 412: Human Rights Assessment 2016</b>	412-2	45		
<b>Customer Privacy</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	75		
	103-2	75		
	103-3	75		
<b>GRI 418: Customer Privacy 2016</b>	418-1	75		

## ABBREVIATIONS AND ACRONYMS

<b>AFD</b>   Agence Française de Développement	<b>IIRC</b>   International Integrated Reporting Council
<b>AI</b>   Artificial Intelligence	<b>ILO</b>   International Labor Organization
<b>APIs</b>   Application Programming Interfaces	<b>IMB</b>   International & Multinational Relationship Banking
<b>AR</b>   Absence Rate	<b>IoT</b>   Internet of Things
<b>AR</b>   Augmented Reality	<b>IPCC</b>   Intergovernmental Panel on Climate Change
<b>BASİSEN</b>   Banking-Finance and Insurance Workers Union	<b>IR</b>   Total Injury Rate
<b>BAT</b>   The Banks Association of Turkey	<b>IT</b>   Information Technology
<b>BİST</b>   Borsa İstanbul	<b>IVN</b>   Interactive Voice Notification
<b>BRSA</b>   Banking Regulation and Supervision Agency	<b>İSU</b>   İzmit Water and Sewerage Administration
<b>CBRT</b>   Central Bank of the Republic of Turkey	<b>KEDV</b>   Foundation for the Support of Women's Work
<b>CCR</b>   Counterparty Credit Risk	<b>KFS</b>   Koç Financial Services
<b>CEO</b>   Chief Executive Officer	<b>KOSGEB</b>   Small and Medium Industry Development Organization
<b>CGF</b>   Credit Guarantee Fund	<b>LCR</b>   Liquidity Coverage Ratio
<b>CMB</b>   Capital Markets Board of Turkey	<b>LDR</b>   Lost Day Rate
<b>COO</b>   Chief Operating Officer	<b>MBA</b>   Master of Business Administration
<b>COVID-19</b>   Coronavirus Disease	<b>ME</b>   Medium-Sized Enterprises
<b>CTF</b>   Clean Technology Fund	<b>MT</b>   Management Trainee
<b>ÇİDAK</b>   Employee Relations Advisory Board	<b>NFC</b>   Near Field Communication
<b>DEFRA</b>   Department for Environment, Food and Rural Affairs	<b>NGOs</b>   Non-governmental Organizations
<b>Digital T-Balance</b>   Digital Trial Balance	<b>ODR</b>   Occupational Disease Rate
<b>EBRD</b>   European Bank for Reconstruction and Development	<b>OHS</b>   Occupational Health and Safety
<b>EEG</b>   Electroencephalography	<b>PMR</b>   Partnership for Market Readiness
<b>EIB</b>   European Investment Bank	<b>PSD2</b>   Revised Payment Services Directive
<b>EMRA</b>   Energy Market Regulatory Authority	<b>RAF</b>   Risk Appetite Framework
<b>EMS</b>   Environmental Management System	<b>RF</b>   Radiative Forcing
<b>ESG</b>   Environmental, Social and Governance	<b>SDGs</b>   Sustainable Development Goals
<b>ESRA</b>   Environmental and Social Risk Assessment	<b>SME</b>   Small and Medium-Sized Enterprises
<b>EU</b>   European Union	<b>SMS</b>   Sustainability Management System
<b>FC</b>   Foreign Currency	<b>ST</b>   Sales Trainee
<b>FCI</b>   Factors Chain International	<b>TEGV</b>   Educational Volunteers Foundation of Turkey
<b>FCR</b>   First Contact Resolution	<b>The Fed</b>   United States Federal Reserve System
<b>FOCA</b>   Financial Documents Correctiveness Analysis	<b>TOG</b>   Community Volunteers Foundation
<b>FTE</b>   Full Time Equivalents	<b>TuREEFF</b>   Turkey Residential Energy Efficiency Financing Facility
<b>GETEM</b>   Assistive Technology and Education Laboratory for Individuals with Visual Disabilities	<b>TÜBİTAK</b>   The Scientific and Technological Research Council of Turkey
<b>GHG</b>   Greenhouse Gas	<b>UN PRB</b>   United Nations Principles for Responsible Banking
<b>GSR</b>   Galvanic Skin Response	<b>WEF</b>   World Economic Forum
<b>HR</b>   Human Resources	<b>WEPs</b>   Women's Empowerment Principles
<b>ICAO</b>   International Civil Aviation Organization	<b>YGA</b>   Young Guru Academy
<b>IDC</b>   International Data Corporation	<b>YKBA</b>   Yapı Kredi Banking Academy
<b>IFC</b>   International Finance Corporation	<b>YKKS</b>   Yapı Kredi Culture Arts and Publishing
<b>IFRS</b>   International Financial Reporting Standards	<b>YKY</b>   Yapı Kredi Publications



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